

Paul A. Roach to be register of the land office at Las Cruces, N. Mex.

Clarence Ogle to be register of the land office at Lakeview, Oreg.

POSTMASTERS

ARKANSAS

Floy R. Parr, Jonesboro.
James H. Wiseman, Kensett.

ILLINOIS

Emily M. Cole, Glenview.
Grace M. Lennon, Plainfield.

KANSAS

Charles E. Drumm, Centralia.
Frank M. Proffitt, Chase.
Ray T. Ingalls, Goff.
Guetta Stark, Perry.

MASSACHUSETTS

John Elbridge Perkins, Essex.
Mary L. McParlin, Sandwich.
Felix Pasqualino, Wakefield.
Paul Revere Robie, West Dennis.

MISSOURI

Ralph R. Breckenridge, Bosworth.
Kenneth C. Patton, Clarksville.
Albert Linxwiler, Jefferson City.
Alexander W. Graham, Kansas City.
Ernest A. Hisle, Miami.
Harry F. Yeager, New London.
Alexander Rankin, Tarkio.

OKLAHOMA

Berry M. Crosby, Bixby.
Debra E. Grubbs, Jenks.
Brooke L. Wallace, Wayne.

SOUTH CAROLINA

Dana T. Crosland, Bennettsville.

WISCONSIN

Henry E. Steinbring, Fall Creek.
Melvin G. Gumm, Jackson.
Ida Melchert, Saxon.
Henry A. Kirk, Spring Valley.
Kenneth E. Moscrip, White Lake.

HOUSE OF REPRESENTATIVES

THURSDAY, APRIL 28, 1938

The House met at 12 o'clock noon.

The Reverend Pierce E. Swope, pastor of St. Stephen's Reformed Church, Lebanon, Pa., offered the following prayer:

Great God of nations, God of men, we, thy children, approach Thee at this time for guidance and direction. Because we are human, we are also limited in vision and in intelligence. We offer Thee the best we have and are, asking Thee to pardon our shortcomings.

Do Thou guide and direct the Members of this body, whom Thou hast called to a place of great responsibility. Be with those whom they represent, all the citizens of our beloved Nation. May they be patriotic and law abiding.

May all of us, both the Members of this House and those whom they represent, so live and labor and love that when our task is ended and we are gathered to our forefathers future generations of Americans may rise up and call us blessed. This we ask for Jesus' sake. Amen.

The Journal of the proceedings of yesterday was read and approved.

PERMISSION TO ADDRESS THE HOUSE

Mrs. NORTON. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentlewoman from New Jersey?

There was no objection.

Mrs. NORTON. Mr. Speaker, I appeared before the Rules Committee this morning to present S. 2475, with an amendment, the so-called wage and hour bill, and asked for a rule that it may be considered in the House. In presenting that bill I made a statement that I think very clearly explains the entire purpose of the bill and also the differences between the recommitted bill and the bill we are now asking to bring before the House for consideration.

Mr. Speaker, I ask unanimous consent to include this statement in the RECORD, and may I suggest that every Member who is interested in this legislation read the statement, as I think it will clarify the subject when it comes before the House. We sincerely hope a rule may be granted in order to give the House an opportunity to consider this very important legislation.

The SPEAKER. Is there objection to the request of the gentlewoman from New Jersey?

There was no objection.

Mr. RICH. Mr. Speaker, reserving the right to object.

The SPEAKER. The gentleman's objection comes too late. The statement is as follows:

I am directed by the Labor Committee to come before you to ask for a rule so that the committee amendment to S. 2475, reported from the Labor Committee on April 21, 1938, may be considered by the Members of the House of Representatives.

We of the Labor Committee believe that the bill should be allowed to be considered by the membership of the House and voted either up or down on its merits.

The bill was favorably reported by the Labor Committee by a vote of 14 to 4. The 14 members of the committee who voted for this bill are all as anxious as I am that it be considered by the House. We believe sincerely that it is a good bill, the most fair, equitable, and workable bill we could draft. The four members who voted against it are also anxious for the enactment of legislation to eliminate oppressive labor practices in certain employments, but do not agree with us in the method we have selected to attain this end.

After the wage and hour bill was recommitted last December, the Labor Committee immediately started work on it again. We held many meetings of the full committee, after which I appointed a subcommittee to consider the matter more fully. They held meetings every day for at least 3 weeks, at which they heard testimony from many Members of the House and from well-known lawyers. Any Member of Congress who wished to be heard was given the opportunity to testify. After a full consideration of all of the facts the Democratic members of the subcommittee submitted a bill to the full committee, which was rejected by the committee. I then submitted the proposal which you now have before you, to the committee, and it was accepted by them. Many of the features of the subcommittee draft were retained, but substantial changes were made in the administrative provisions, the minimum-wage and maximum-hour provisions. The main objective of 40 cents an hour for a 40-hour week was common to both drafts, as, indeed, it has been to all wage and hour drafts which have been considered by the committee.

Some of you gentlemen, I understand, objected to the bill you had before you last year because it was confusing, because it was not definite enough, because it did not, in your opinion, set a ceiling for hours and a floor for wages. You objected, as did many other Members of the House, to the administrative features. The Labor Committee recognized that in most cases these were valid objections. We further realize that the need for the enactment of this legislation during this session of Congress is urgent.

In the last few months there has occurred an alarmingly sharp decline in business activity. With that decline have come the inevitable wage cuts which the great mass of American businessmen so deplore, but are powerless to prevent. These businessmen know that wage cutting sets in motion a vicious spiral of deflation which, if allowed to gather sufficient strength, may threaten the foundations of government itself. We know that the Federal Government cannot and should not attempt to regulate the wages of all wage earners throughout the United States. But the Federal Government cannot by its inaction permit the channels of commerce to be used to set this spiral of deflation in motion. It cannot and should not permit our great interstate industries to become engulfed. During the last few years unprecedented demands have been made both upon the Federal Government and upon State and local governments for relief and work relief. Unless the wages paid by private employers are sufficient to maintain the bare cost of living, such demands will necessarily continue.

We have, therefore, for all of these reasons, reported from the Labor Committee a bill entirely different from that considered on the floor last December. I would like to call your attention to these differences briefly.

There are, of course, many important differences between the committee amendment to S. 2475 and the amendment agreed to in the Committee of the Whole prior to the recommitment of the bill.

The effect of the recommitted bill depended to a large extent upon the will and wisdom of the person appointed to administer it. There was created a wage and hour division in the Department of Labor. This division was to be headed by an administrator who

was to be appointed by the President, with the advice and consent of the Senate. He was to receive compensation at the rate of \$10,000 a year. It was made the duty of the administrator, upon a finding that a substantial number of employees in any occupation were receiving wages inconsistent with the minimum standard of living necessary for health, efficiency, and general well-being, to appoint a wage and hour committee to recommend minimum wages or maximum hours for the occupation. Standards were provided to guide the wage and hour committees with respect to the factors to be considered by them in making their recommendations. Apart from these standards, which I will discuss later, there was nothing to prevent minimum wages being prescribed which were lower than the going rate for the occupation, or maximum hours being prescribed which were higher than those generally prevailing in the occupation. Whether for a particular occupation minimum wages and maximum hours were prescribed at all depended upon the action or inaction of the administrator. The administrator was also given the power to make exemptions in special classes of cases.

It was he who defined the occupations to which a wage or hour order related, the territorial application of the order, and the class, craft, or industrial unit in which it was to operate. He was to classify employers, employees, and employments within the occupation to which the order related according to localities, the population of the various communities, the number of employees employed, the nature and volume of the goods produced, and other differentiating circumstances.

The administrator was also given power to investigate to determine whether violations had been committed or were about to be committed, and to bring action in the district courts to enjoin such violations. For the purpose of these investigations he was given the power of subpoena.

In direct contrast to this system of administration of the recommended bill there is, strictly speaking, except for one or two special cases, no administration of the reported bill. These exceptions are in the case of the child-labor provisions and the partial exemptions of learners, apprentices, and handicapped workers, and their administration will not, I feel sure, be questioned. The functions of the Secretary of Labor are very limited. He is directed to determine, on the basis of facts adduced at hearings, the relation of the various industries to interstate commerce. If the Secretary finds that the relation is close and substantial, he is to issue an order declaring that particular industry to be an industry affecting interstate commerce. After making that determination with respect to a particular industry the Secretary has discharged his functions. Thereafter the bill operates automatically upon all employers in the industry who are engaged, not casually but in the regular course of their business, in purchasing or selling goods in interstate commerce.

The Secretary is also given the power to investigate to determine whether violations have occurred but is given no power of enforcement. The enforcement is carried out by the Department of Justice.

Now, let us look at the minimum-wage provisions of the recommended bill. Whenever the administrator found that a substantial number of employees in any occupation were employed at wages inconsistent with the minimum standard of living necessary for health, efficiency, and general well-being the administrator was to appoint a wage and hour committee to consider and recommend a minimum wage for the occupation. The wage and hour committee was to consist of a number of persons representing employers in the occupation, an equal number representing employees in the occupation, and three disinterested persons representing the public.

In recommending a minimum wage for the occupation the wage and hour committee was to take into consideration, among other relevant factors, the cost of living, the wages paid by employers voluntarily maintaining fair minimum wages, the wages established by collective bargaining, local economic conditions, the costs of transportation from producing points to consuming markets, and differences in unit costs of manufacturing occasioned by varying local natural resources, operating conditions, and other factors entering into cost of production. A wage in excess of 40 cents an hour could not be prescribed. If the Administrator found that the wage and hour committee had considered all of the above factors he was to hold a hearing on the recommendations and if he found that the proposed standards, so far as economically feasible, were at levels consistent with health, efficiency, and general well-being, he was to issue an order putting the recommendations into effect.

Let me contrast this with the reported bill. When the Secretary makes an order finding that a particular industry affects interstate commerce, every employer in the industry who is engaged in interstate commerce, or who is engaged in the ordinary course of his business in purchasing or selling goods in interstate commerce, is required during the first year from the effective date of the order to pay each employee employed by him 25 cents an hour, during the second year 30 cents an hour, during the third year 35 cents an hour, and during the fourth and each succeeding year 40 cents an hour.

In the recommended bill with respect to maximum hours whenever the Administrator found that a substantial number of employees in any occupation were employed at hours inconsistent with the minimum standards of living necessary for health, efficiency, and general well-being, he was to appoint a wage and hour committee to consider and recommend a maximum workday and workweek for the occupation. The composition of

the wage and hour committee has already been described in connection with the establishment of minimum wages. In recommending a maximum workday and workweek the wage and hour committee was to consider, among other relevant circumstances, the hours of employment maintained by employers who voluntarily maintained a reasonable maximum workday and workweek, the hours of employment established by collective bargaining, and the number of persons seeking employment in the occupations involved. A workweek of less than 40 hours could not be established. If the Administrator found that the wage and hour committee had considered all of the above factors he was to hold a hearing on the recommendations and if he found that the proposed standards, so far as economically feasible, were at levels consistent with health, efficiency, and general well-being, he was to issue an order putting the recommendations into effect with respect to the occupation.

And in contrast to that procedure let us look at the maximum-hour provisions of the reported bill. When the Secretary makes an order finding that a particular industry affects interstate commerce, no employer in the industry who is engaged in interstate commerce or who is engaged in the ordinary course of his business in purchasing or selling goods in interstate commerce, may employ any employee for more than 8 hours a day, or during the first year from the effective date of the order, employ any employee for more than 44 hours a week, during the second year more than 42 hours a week, or during the third year or any succeeding year more than 40 hours a week. An employee is not deemed employed in violation of these provisions if his overtime is computed at the rate of time and one-half.

The child-labor provisions of the recommended bill and the reported bill are practically identical.

The provisions for exemptions of learners, apprentices, and handicapped workers in both the recommended bill and the reported bill are also virtually identical.

The exemptions from both the wage and hour provisions of the recommended bill and the reported bill are the same. The recommended bill, however, contained many more exemptions from the hour provisions than does this one. We have eliminated many of these as we feel that retaining them in the bill would lessen the effectiveness of the bill. The exemptions excluded in the reported bill include most of those which were adopted in Committee of the Whole and which were therefore not contained in the bill as originally reported from the Labor Committee.

I know that the ranking Democratic member of the Labor Committee expects to appear before you in opposition to this bill. He cannot conscientiously support it, I realize, because he believes it to be unconstitutional. I deeply regret that my colleague, BOB RAMSPECK, cannot be with me here today asking for a rule, but I, of course, respect his opinion, although I cannot agree with it. In his minority report on the wage and hour bill he contends, among other things, that the new draft is "not a reasonable exertion of governmental authority, but, on the contrary, is arbitrary and discriminatory." Upon that contention he bases almost entirely his whole argument.

I am not a lawyer, as you gentlemen know, and I have only my common sense to guide me in legal matters. I have, therefore, discussed the constitutionality of the reported amendment with several lawyers whose opinions I respect and whose advice I value.

My understanding is that the Washington minimum wage law for women is the only minimum-wage statute which has been sustained by the United States Supreme Court (*West Coast Hotel Co. v. Parrish*, 300 U. S. 379). That statute authorized a board to fix minimum wages for women based on the cost of living necessary for health and decency. Chief Justice Hughes, who wrote the opinion in the *Parrish* case, at page 399 stated: "The legislature was entitled to adopt measures to reduce the evils of the 'sweating system,' the exploiting of workers at wages so low as to be insufficient to meet the bare cost of living, thus making their very helplessness the occasion of a most injurious competition. What these workers lose in wages the taxpayers are called upon to pay. The bare cost of living must be met."

From the above quotation and the provisions of the Washington statute it is clear that the Supreme Court regards a minimum wage which is based on the cost of living as reasonable. Hence, any minimum-wage statute reasonably related to cost of living has a fair chance of being sustained. Viewed in this light, I think the rigid minimum-wage rates fixed in the present bill can be upheld.

Admittedly the Congress can fix a minimum wage in accordance with this standard rather than delegate the task to an executive board or agency if it has facts showing what wage the cost of living warrants. Where a single minimum wage is prescribed by the Congress for all localities in the United States, as is the case in the proposed bill, under the doctrine of the *Parrish* case, it should only be necessary to show that the wage established in the statute is not in excess of that which is required by costs of living for the region of the United States where living is the cheapest. In other words, if the cost of living for industrial workers engaged in interstate commerce is cheaper in Alabama than in any other State in the Union, and the cost of living in that State requires a wage rate of 40 cents an hour to provide the necessities of life, such a wage rate for the entire country would appear to be reasonable and valid. No employer could show that he was aggrieved.

In my judgment, statistical studies which have been made within the last 2 years demonstrate that the minimum wages provided in the present bill are not in excess of the requirements of cost of

living. In an elaborate official study entitled "Intercity Differences in Cost of Living in March 1935, 59 Cities," made by Works Progress Administration in cooperation with the Bureau of Labor Statistics, it is stated that the "cost of a specified standard of living does not differ widely among most cities; differences in living costs are to be explained to a considerable extent by the differences in the standard of living." This is illustrated by the following excerpt from this study:

"The cost of living in the maintenance level ranged from a high of \$1,415 in Washington, D. C., to a low of \$1,130 in Mobile, Ala., at March 1935 prices. The average in the 59 cities combined was \$1,261. The cost of the emergency level was also highest in Washington, \$1,014, but was lowest in Wichita, Kans., \$810. The average was \$903. At both levels the necessary outlay in the most expensive city averaged about 25 percent above that in the least expensive; in more than one-half the cities living costs were within a range of \$100 per year."

The significance of this excerpt cannot be fully appreciated unless the terms "maintenance level" and "emergency level" are understood. The maintenance level is explained in the study to provide only for the cost of living necessary for material needs and some psychological needs. Emergency level provides almost exclusively for physical needs; and the study adds: "But it might be questioned on the ground of health hazards if families had to live at this level for a considerable time. * * * Neither of these budgets approaches the concept of what may be considered a satisfactory American standard of living, nor do their costs measure what families in this country would have to spend to secure 'the abundant life.'" In this study the cost-of-living figures were based on the living requirements of industrial workers for a family of four—husband, wife, and two children.

It should be noted that the lowest cost of living in any of the 59 cities on an emergency-level basis was found not in the South but at Wichita, Kans.—\$810 a year for a family of four. Now, the greatest annual wage which an employee could receive under the present bill after the 40 cents became operative is \$832. This would require him to work 52 weeks a year, 40 hours a week. However, the act prescribes a minimum wage of only 25 cents an hour for the first year, which would produce an annual income of only \$520 for an employee working full time at 40 hours a week.

On the basis of this survey, how can it be said that \$520 or even \$832 is more than enough to provide the costs of living necessary to health and decency?

PERMISSION TO ADDRESS THE HOUSE

Mr. DREW of Pennsylvania. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. DREW of Pennsylvania. Mr. Speaker, I want to call the attention of the Members of the House to the importance of the work which has been done by the National Youth Administration, for which the Appropriations Committee is now considering an allocation of \$75,000,000.

Among the many things which this administration has done for the welfare of the young people of this Nation, the work of the N. Y. A. stands out like a beacon.

Hundreds of thousands of young men and young women have been started on the road to good citizenship through the projects and student aid facilities of the N. Y. A. I know something about some of these youth in Pennsylvania. With financial resources exhausted and with no hope of a job, thousands of youth in my State, as well as in every other State in the Nation, looked upon the future in desperation. They did not know where to turn. They were discouraged. They were ready for anything.

It is unnecessary to go into detail with reference to the work of the N. Y. A. in giving these youngsters new hope. The fact is that such hope was given. It is my considered opinion that many thousands of our youth have been kept from crime, have been given a new interest in life by special training for jobs which they were particularly qualified to fill, have been made better citizens because educational opportunities were afforded them.

The N. Y. A. has kept these youth occupied, interested, and enthused. It has done as much, in my opinion, as any agency in the Nation to promote the cause of our democratic form of government and to balk the "red" agencies which have found fertile soil in the minds of the newer generation.

I could recite instance after instance to prove my point. My lifelong interest in and work among the children of Philadelphia has caused me to keep in close contact with the work of the office of the State director of the N. Y. A. I have personal knowledge of what has been done by this

agency in my own State, and reports which I have read from other States bear out my conclusions.

At the peak of its activities the Pennsylvania administration had 21,000 young men and women on projects and 30,000 under student aid. Because of curtailment of funds, these numbers have been reduced at least one-third.

The new appropriation which has been suggested will make it possible for thousands of youth to again have their chance. Houses and bridges and roads and tunnels are all fine and necessary; but, after all, it is the boys and girls who are important. As I see it, the members of the Appropriations Committee and the Members of this House can do no finer thing than to give to these youth the opportunity to carry on.

Mr. FISH. Mr. Speaker, I ask unanimous consent to address the House for 20 minutes today after the disposition of business on the Speaker's table and at the conclusion of business in order for the day.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. MOSER of Pennsylvania. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. MOSER of Pennsylvania. Mr. Speaker, on the 6th instant when I addressed the Committee of the Whole I made reference to the Heimat Bund as having connected with it the persons who had obtained control of the Liederkranz. I find that my informant was in error and that the Heimat Bund, a patriotic group of German-American citizens, are the ones who have withdrawn from the Liederkranz.

Mr. HOPE. Mr. Speaker, I make the point of order a quorum is not present.

The SPEAKER. Will the gentleman withhold that for a moment?

Mr. HOPE. Mr. Speaker, I withhold the point of order.

EXTENSION OF REMARKS

Mr. SHAFER of Michigan. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record, and to include therein a petition I received from constituents in my district, and also to include a seven-point program accompanying that petition.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. SHORT. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record, and to include therein an address I made before the Union League Club of Chicago.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. BACON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record, and to include a very short article which discusses a bill I have introduced.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. MILLS asked and was given permission to extend his own remarks in the Record.

CALL OF THE HOUSE

Mr. HOPE. Mr. Speaker, I renew the point of order that there is not a quorum present.

The SPEAKER. Obviously a quorum is not present.

Mr. RAYBURN. Mr. Speaker, I move a call of the House. A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 66]

Allen, Del.	Boykin	Cannon, Wis.	Deen
Allen, Pa.	Boylan	Cartwright	Dirksen
Amble	Buckley, N. Y.	Clark, Idaho	Disney
Beam	Byrne	Cole, Md.	Ditter
Boyer	Caldwell	Crosby	Dockweiler

Douglas	Keller	Powers	Steagall
Drewry, Va.	Kirwan	Quinn	Sullivan
Faddis	Kociakowski	Reed, N. Y.	Sweeney
Flannery	Kvale	Rutherford	Taylor, S. C.
Ford, Miss.	Lemke	Sabath	Vinson, Ga.
Frey, Pa.	Lucas	Sacks	Vinson, Fred M.
Gasque	Maverick	Schuetz	Wearin
Green	Mitchell, Ill.	Schulte	Weaver
Gregory	O'Connor, Mont.	Scrugham	Welch
Griswold	Patrick	Shannon	Welchel
Hancock, N. C.	Peterson, Fla.	Smith, Maine	White, Idaho
Hennings	Pettengill	Smith, Okla.	Wigglesworth
Hoffman	Pfeifer	Snell	Wilcox
Hunter	Phillips	Sparkman	Wolcott
Jarman	Pierce	Stack	Wolfenden
Jenckes, Ind.	Piumley	Starnes	

The SPEAKER. Three hundred and fifty-seven Members have answered to their names, a quorum.

Further proceedings under the call were dispensed with.

EXTENSION OF REMARKS

Mr. KOPPLEMANN asked and was given permission to extend his own remarks in the RECORD.

Mr. FARLEY. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein a list, by counties, of P. W. A. projects that have been approved and no allotments made.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

EXTENSION OF REMARKS

Mr. WHITE of Ohio. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD at this point.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. WHITE of Ohio. Mr. Speaker, increased unemployment requires an increase in relief funds. I favor that, but I vigorously oppose the pump-priming features of the administration's latest depression program.

There are two phases to the administration plan. One is to provide relief for the unemployed. Most of them want jobs. A program of genuine recovery that would enable them to get jobs and make a decent living is the greatest need of the Nation at this moment. Such a program has been offered and is possible, but the Government ignores the real solution.

In the meantime, everyone should agree that this Nation cannot let people starve; that jobless men and women should not suffer greater penalties by reason of the wrongful Government policies. While I do not agree with the methods by which relief is administered, and while I feel that common sense demands that the money be allocated to the States and local communities for their administration, I have voted for the various relief appropriations. There has been no other choice, but the fact remains that politics should be taken out of relief.

When business appeared to be getting better I favored the reduction of relief expenditures. With the increase in unemployment during recent months, I believe that relief expenditures must be increased accordingly.

The other phase of the latest program is another pump-priming plan; another artificial stimulant that hurts more than it cures. It is supposed to promote recovery. Upon this I am in complete disagreement with the administration proposal. It does not provide the fundamental solution that is necessary to bring about the genuine recovery that is the most vital thing of all to any and all working people, business firms, and the country as a whole. This part is the same artificial prescription that was tried before, with the result that it failed and backfired into the present depression. In my humble judgment, it represents repetition of error. I am vigorously opposed to this proposal.

On the plan for R. F. C. loans to business enterprises as a means of maintaining and increasing employment through private channels, I not only supported the bill but helped make the changes in committee to permit small business to qualify—and this would not have been possible in its original form. This was the legislation sponsored by Senator GLASS,

who sought to forestall the harmful pump-priming plan. This measure is now enacted into law.

In the last few days I notice that Ickes has been dangling lollypops in front of the eyes of almost every community in an effort to make people forget about the failure of pump-priming policies. For each community he announces a list of projects that might be available. I do not blame any community for getting its share of money for useful projects when it is going to be distributed in one place or another, and I have cooperated on that basis; but Ickes' move is designed to arouse the appetite for artificial food that has already proven indigestible. More of the same dose may wreck the whole digestive system of the country, and it certainly has demonstrated that it fails to produce recovery. If this announced list is not a piece of misleading propaganda, I challenge him to support earmarking the pump-priming funds accordingly.

THE P. W. A. PROGRAM

Mr. TABER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks in connection therewith; also, to include a table I have prepared showing the per capita expenditures under the proposed P. W. A. program in the different States.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. TABER. Mr. Speaker, I have prepared as accurately as possible from the statements I have available the proposed per capita expenditures in the different States under the P. W. A. program. The per capita expenditure varies from 75 cents per capita in the extremely rich State of Arkansas to \$32 per capita in the extremely poor State of Louisiana.

Mr. SHORT. Mr. Speaker, will the gentleman yield?

Mr. TABER. I yield to the gentleman from Missouri.

Mr. SHORT. We understand the people of Missouri will receive \$4 per capita while in the poor, benighted State of California they will receive \$20 per capita.

Mr. TABER. The gentleman is correct.

The table referred to is as follows:

Amounts of money to be spent by Secretary Ickes' proposed P. W. A. program per capita in the different States

Alabama.....	\$2.00
Arizona.....	12.00
Arkansas.....	.75
California.....	20.00
Colorado.....	5.00
Connecticut.....	13.50
Delaware.....	1.75
Florida.....	15.00
Georgia.....	2.20
Idaho.....	6.00
Illinois.....	14.00
Indiana.....	6.20
Iowa.....	3.10
Kansas.....	5.00
Kentucky.....	4.00
Louisiana.....	32.00
Maine.....	2.90
Maryland.....	4.50
Massachusetts.....	4.40
Michigan.....	7.00
Minnesota.....	8.10
Mississippi.....	3.60
Missouri.....	4.00
Montana.....	8.75
Nebraska.....	14.00
Nevada.....	6.75
New Hampshire.....	25.00
New Jersey.....	10.00
New Mexico.....	16.00
New York.....	12.00
North Carolina.....	3.20
North Dakota.....	1.40
Ohio.....	4.75
Oklahoma.....	2.60
Oregon.....	3.75
Pennsylvania.....	5.00
Rhode Island.....	8.00
South Carolina.....	5.00
South Dakota.....	2.00
Tennessee.....	3.10
Texas.....	10.45
Utah.....	8.50

Amounts of money to be spent by Secretary Ickes' proposed P. W. A. program per capita in the different States—Continued

Vermont.....	\$4.75
Virginia.....	5.00
Washington.....	11.50
West Virginia.....	3.00
Wisconsin.....	10.00
Wyoming.....	2.08

PERMISSION TO ADDRESS THE HOUSE

Mr. ANDRESEN of Minnesota. Mr. Speaker, I ask unanimous consent to address the House for 10 minutes on a matter of grave emergency to over 1,000,000 farmers residing in the Corn Belt of this country. The emergency has arisen now and the developments that have taken place should have the attention of Congress, the Department of Agriculture, and the administration. It is just as important to consider it now as it was when we took up the amendments to the Agricultural Adjustment Act, which took care of the cotton farmers of the South and gave them larger acreage allotments.

Mr. RAYBURN. Reserving the right to object, Mr. Speaker, I certainly have no objection to the gentleman's addressing the House at the completion of the legislative program of the day, but many, many times I have made the statement for the RECORD that I would object to anyone's getting permission to speak for more than 1 minute before the legislative program of the day was completed.

Mr. ANDRESEN of Minnesota. If the gentleman will permit, most of the Members of the House residing in the Corn Belt area, which takes in 566 counties, are being flooded with letters from their constituents demanding an explanation of what is being done under the compulsory agricultural control law. If we wait until after the legislative program of the day is completed, there will probably be only a half dozen Members here. The reason I am making my request at this time is to give the Members here information at the proper time on a subject of very grave importance to the entire country.

Mr. RAYBURN. I object, Mr. Speaker.

EXTENSION OF REMARKS

Mr. O'CONNELL of Montana. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a list of P. W. A. projects in my State.

The SPEAKER. Is there objection to the request of the gentleman from Montana?

There was no objection.

Mr. SCOTT. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein a speech made yesterday by a student at Swarthmore College on the subject of American foreign affairs.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. MEAD. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD in connection with legislation creating a national railroad employment insurance pool.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. St. Claire, one of its clerks, announced that the Senate agrees to the amendments of the House to the amendments of the Senate, Nos. 28, 46, 53, 54, 68, 69, and 70, and recedes from its amendments Nos. 60 and 61, to the bill (H. R. 9621) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1939, and for other purposes.

THE MERCHANT MARINE BILL

Mr. O'CONNOR of New York. Mr. Speaker, I call up House Resolution 470.

The Clerk read as follows:

House Resolution 470

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H. R. 10315, a bill to amend the Merchant Marine Act, 1936, to

further promote the merchant marine policy therein declared, and for other purposes. That after general debate, which shall be confined to the bill and continue not to exceed 2 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Merchant Marine and Fisheries, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the Committee shall rise and report the same to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

Mr. O'CONNOR of New York. Mr. Speaker, I yield 30 minutes to the gentleman from Massachusetts [Mr. MARTIN].

Mr. Speaker, this is a rule for the consideration of the merchant marine bill which is an amendment of the existing Merchant Marine Act.

I do not know that any time is requested on this side of the aisle, but I understand on the minority side time has been asked, so I shall reserve the balance of my time.

Mr. MARTIN of Massachusetts. Mr. Speaker, I yield 15 minutes to the gentleman from Kansas [Mr. CARLSON].

Mr. CARLSON. Mr. Speaker, I trust in these 15 minutes I can express myself on a subject that I am going to admit at the outset I do not know so very much about. I am placed in the rather anomalous position of opposing and, in fact, speaking on a rule rather than directly in opposition to the entire bill that is before the House at this time; in fact, it is possible the Merchant Marine Act needs amendment and I am in favor of any amendment that is recommended by the Maritime Commission. However, I want to discuss one section of the bill that I believe is of vital concern to every citizen of this country and I know it is of vital interest to the interior sections of the United States. It places this Government in the position of furnishing a subsidy to intercoastal shipping, a departure from our present subsidization of the merchant marine.

The section of the bill I refer to is section 30 on page 21. This section, you will note, provides that we are to pay a Government subsidy to shipping or to any company that has a ship with a speed of not less than 16.5 knots per hour or more than 25 knots per hour, or has a carrying capacity of 200 passengers, and there is the additional requirement that such shipping must go through the Panama Canal. In other words, if you have exactly this same type of ship that operates between New York City and Galveston, Tex., you are not eligible for the subsidy. The ship must travel through the Panama Canal. However, there is a provision in the section stating that these provisions may be waived, provided the Secretary of the Navy issues an authorization or a permit. Therefore, subsidies could be paid on any vessel, regardless of these requirements, provided, again, it goes through the Panama Canal.

I am opposed to this bill for three reasons: In the first place, as I have stated, it is a departure from our present method of paying subsidies to the merchant marine.

In the second place, it puts the interior sections of the United States at a distinct disadvantage because of freight tariff differentials, and therefore we would have unfair competition; and, third, I think this will be agreed to by every Member of the House—

Mr. FORD of California. Mr. Speaker, will the gentleman yield?

Mr. CARLSON. Not at this time. I will be pleased to yield after I have finished my statement.

The third reason I am opposed to the bill is that if we enact this legislation we will further force the railroads of this country into bankruptcy. All of us are familiar with the fact that one-third of the railroad mileage of the United States today is in the bankruptcy court or in receivership.

These three reasons are my principal objections to this bill.

I expect to read some statements from others who are concerned with respect to ship subsidy. I have in my hand a copy of a letter from the President of the United States written to Senator McADOO, the junior Senator from California, dated March 14, 1938. I am going to read certain paragraphs of this letter, and in view of the fact I shall

refer to these paragraphs I am going to ask that the letter as a whole be incorporated in the RECORD, and I therefore ask unanimous consent, Mr. Speaker, that the entire letter may be printed as a part of my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. CARLSON. This is a letter dated March 14, written to Senator McAdoo, the junior Senator from California, and I shall read extracts from it. This was written in reply to a request from the Senator with respect to his own resolution, Senate Joint Resolution 272, in which he requested the Maritime Commission to purchase or take control of three ships that were plying between New York City and the California coast points. The first paragraph I read is as follows:

The effect of S. J. Res. 272 as submitted by you is to authorize the Maritime Commission to operate these vessels in intercoastal trade for its own account, thereby putting the Government in direct competition with six or seven other intercoastal lines operating on this New York-California route which are now being operated without a Government subsidy. This resolution, therefore, raises the whole policy of ship subsidies in intercoastal trade. Ship subsidies in foreign trade are based on the theory that American operators require compensation to offset the lower costs of foreign operation.

The last two paragraphs of the President's letter read as follows:

The Commission advises me that the recommendation of compromise which it has made to the Attorney General (which recommendation is referred to in this joint resolution) contemplates that these ships, if acquired by the United States pursuant to the terms of this proposed settlement are to be placed in a highly important trade route now inadequately served between this country and the east coast of South America. While, of course, I regret that economic factors apparently prevent a financially successful luxury liner service between California and New York, I must also say that I am wholly in accord with the policy of the Commission in attempting in every way to build up and improve the South American service.

For the reasons above stated, I am constrained to say that it will not be possible for me to indicate any approval of Senate Joint Resolution 272, the joint resolution to which your letter refers.

In this letter the President quotes Mr. Kennedy, former Chairman of the Maritime Commission, and I feel that I should read one or two paragraphs of Mr. Kennedy's own statement:

The payment of subsidies to domestic operators would obviously raise intense opposition on the part of rival transportation agencies. The railroads and the busses would have every justification, it seems to me, for demanding similar relief.

I also have a statement in regard to subsidies by Mr. Woodward, Acting Chairman of this Commission. He states:

Mr. Kennedy's observations should receive careful consideration. Whether or not the Government should provide for the granting of subsidies for the intercoastal trade or what amounts to subsidies by undertaking to operate vessels in that trade at a heavy loss in competition with unsubsidized privately owned lines is a broad policy question to be decided by the Congress. However, for the reasons above set out, the Commission believes that such a policy is unwise at this time, and it does not favor the enactment of House Joint Resolution 613.

MARCH 14, 1938.

MY DEAR SENATOR MCADOO: Please permit me to acknowledge receipt of your letter of the third instant in which you refer to a joint resolution which you introduced in the Senate (S. J. Res. 272), and which you state was prepared by the Maritime Commission pursuant to a discussion with Chairman Land. This resolution provided substantially that in the event three steamships (the S. S. California, S. S. Pennsylvania, and S. S. Virginia) are acquired by the United States through a compromise of litigation between the American Line Steamship Corporation, the owner of the vessels, and the United States of America, then the Maritime Commission shall operate these vessels for a period of 1 year from the date of their acquisition in their present intercoastal service between California and New York.

I am advised by the Maritime Commission that the policy expressed in this joint resolution is not the policy of the Commission and that the third whereas of the resolution appears to be inaccurate in the statement that "the compromise, if consummated . . . would result in their" (the S. S. California's, S. S. Pennsylvania's, and S. S. Virginia's) "withdrawal from the intercoastal trade." The Commission states that the owner of these vessels, American Line Steamship Corporation, definitely informed the Maritime Commission, and has also advised the people out on the west coast who are interested, that these three ships will be withdrawn from their present intercoastal

service on or about April 1 because of the heavy financial losses resulting from their operation; and that this decision was made known to the Maritime Commission prior to and was one of the reasons prompting the Commission's recommendation to the Attorney General, which recommendation contemplates the acquisition of the vessels by the United States.

I am further told by the Commission that the reason why the mandate to the Commission contained in the resolution "to operate the said vessels for a period of 1 year from the date of such acquisition, in the same intercoastal service as that in which they are now engaged" is specifically directed to the Commission, "notwithstanding any other provision of law," is that the ends sought by the resolution are contrary to a well-defined policy embodied by Congress in the Merchant Marine Act of 1936. That act prohibits the payment of Government subsidy "for the operation of any vessel on a voyage on which it engages on coastwise or intercoastal trade," with certain limited exceptions not relevant here.

The effect of Senate Joint Resolution 272, as submitted by you, is to authorize the Maritime Commission to operate these vessels in the intercoastal trade for its own account, thereby putting the Government in direct competition with the six or seven other intercoastal lines operating on this New York-California route which are now being operated without a Government subsidy. This resolution, therefore, raises the whole policy of ship subsidies in intercoastal trade. Ship subsidies in foreign trade are based on the theory that American operators require compensation to offset the lower costs of foreign operation. This was clearly and succinctly pointed out by Chairman Kennedy on his recent visit to the west coast, where he met and discussed these problems with the interested parties there. He said:

"Although direct grants have been given in the past (as witness the railroads), and although indirect aid is rendered today (such as highway development), the cash support of one form of transportation at the expense of others is an exceedingly ticklish proposition. I do not say that it hasn't been done, or that it can't be done. I want to emphasize, however, that such a course should not be undertaken without careful scrutiny of the objectives to be attained and possible repercussions upon other segments of the national economy."

"Few nations have found it expedient to subsidize coastwise shipping service. The French Government grants aid to trans-Mediterranean services as a matter of colonial policy. Norway and Brazil support coastal shipping as a means of national integration, due to the poor quality of land communications. Neither of these considerations applies to the United States."

"It should be pointed out that our coastal and intercoastal trade has been barred to foreign vessels for more than a century. No other American industry, to my knowledge, is favored with an embargo against foreign competition. Furthermore, domestic operators, like those engaged in foreign trade, are eligible for construction loans at low rates of interest. We must be very sure where we are going before we attempt to add cash grants to the advantages already enjoyed by ship operators in the domestic trades."

"Subsidizing one operator, or group of operators, immediately raises the question of what to do about the others. It would be manifestly unfair to assist one or two of the intercoastal lines and not extend the same treatment to all other operators in the trade. One of the largest intercoastal operators, as a matter of fact, has just protested to Congress against any attempt to subsidize intercoastal services. Subsidized vessels monopolize the high-pay freight, he declared, to the detriment of those lines operating without Government assistance. Furthermore, once we establish the principle of support for intercoastal lines, there is no logical reason why the procedure should not be extended to the coastwise lines."

"The payment of subsidies to domestic operators would obviously arouse intense opposition on the part of rival transportation agencies. The railroads and busses would have every justification, it seems to me, for demanding similar relief."

"Moreover, we must not lose sight of the fact that there are substantial elements of our population who do not believe in ship subsidies of any kind."

The Commission advises me that the recommendation of compromise which it has made to the Attorney General (which recommendation is referred to in the joint resolution) contemplates that these ships, if acquired by the United States pursuant to the terms of the proposed settlement, are to be placed in a highly important trade route now inadequately served between this country and the east coast of South America. While, of course, I regret that economic factors apparently prevent a financially successful luxury liner service between California and New York, I must also say that I am wholly in accord with the policy of the Commission in attempting in every way to build up and improve the South American service.

For the reasons above stated, I am constrained to say that it will not be possible for me to indicate any approval of Senate Joint Resolution 272, the joint resolution to which your letter refers.

Very sincerely yours,

FRANKLIN D. ROOSEVELT.

HON. WILLIAM G. MCADOO,
United States Senate, Washington, D. C.

You are going to be told today that the purpose of this legislation is for national defense. In fact, we have been hearing that for the last few months. This House within

the last few months voted the greatest naval appropriation in the peacetime history of the country. We also voted authorization of \$1,200,000,000 for new naval equipment. We are now asked to subsidize a few ships in intercoastal shipping. I am advised that this may not exceed 20 ships in all at the present time.

Mr. LAMNECK. Mr. Speaker, will the gentleman yield?

Mr. CARLSON. Not at this time. Therefore, it occurs to me that this should not be classed as national defense. It is a direct subsidy, and, if I may use the words of the President of the United States, to reestablish a luxury liner service between New York City and San Francisco, a liner service that has lost \$1,200,000 within the last few months, and all of the ships are tied up at the present time. Certainly we are not interested in that phase of subsidizing shipping.

I stated I was opposed to this because of the effect that it has on the interior sections of the country. Suppose this bill goes into effect with a \$2 subsidy per ton of shipping on a displacement tonnage basis. If we authorize a subsidy of \$2 per ton on gross tonnage, it in reality becomes \$3 per ton subsidy on a cargo tonnage. In other words, the subsidy would be 15 cents per hundredweight for freight that goes through the Panama Canal. What will that do to manufacturing plants in Indiana, Illinois, or any other central section of the United States? It means that they will have to move to the seacoast in order to meet competition of manufacturing concerns three and four thousand miles away from the New York City port. In 1930 the Secretary of War, Mr. Hurley, made a thorough study of this situation, and he stated that from 1919 to 1930, 40 percent of the manufacturing plants in the interior sections of the country were forced to move to the coast because of this differential in freight through the Panama Canal. Last year the Illinois Manufacturers' Association stated that 5,000 plants left that State or were folded up because of this differential in freight rates. Therefore, it is a serious concern. What does it do to the farmers? It takes wheat from the Pacific Northwest at 35 cents per hundred in the form of flour to the Atlantic coast ports. The wheat from the wheat sections of the United States is now moving at 42½ to 55 cents per hundredweight in the form of flour. If you pass this subsidy, it means a differential of 9 cents more per bushel than at the present time.

All of us are familiar with the railroad problem. I think that every Member of the House feels that if we could get the railroads hauling freight, repairing roadbeds, making new rolling stock, we would be a long way on the road to recovery. With 150,000 railroad men on part-time work, or out of work, are we going to enact this legislation to throw large additional numbers of men out of employment.

The month of February this year was the first time in 17 years that all of the railroads of the United States did not make operating expenses. If you want to measure the volume of traffic by railroad tonnage, during the week of April 15 we were down 28 percent. It seems to me this presents a serious problem and that we should not consider this legislation lightly.

As I stated in the beginning, I am not opposed to amendments to the Maritime Act; in fact, this is the only section of this bill that I am unalterably opposed to, and I sincerely hope that it will be stricken out.

What about railroad labor? I refer you to page 571 of the hearings. Mr. John Corbett, speaking as a representative of the locomotive engineers, and he also stated that he was authorized to speak for all of the brotherhoods, spoke in direct opposition to this legislation. Let us remember when we vote on this bill that we are in reality voting a subsidy to a group of ships that have not been able to operate profitably, that a large number of shipowners appeared and testified at the hearings that they were opposed to a subsidy, that they did not need a subsidy. Just because we have on our hands what we term in common everyday language some white elephants let us not bail them out at the expense of the Federal Government to the extent of \$10,000,000 a year, and establish a principle that I believe is contrary to the spirit which

prompted the granting of a subsidy to any part of our merchant marine.

Mr. FORD of California. Mr. Speaker, will the gentleman yield?

Mr. CARLSON. I yield.

Mr. FORD of California. The gentleman pointed out that a ship leaving Houston, Tex., and going around would be in competition. The fact of the matter is that a ship leaving Houston, Tex., for New York does not go through the Panama Canal and does not pay a Panama toll. The railroads crossing this country do not go through the Panama Canal, nor do they pay Panama tolls.

Mr. CARLSON. That is probably correct. In other words, the Panama Canal was not built principally as strictly an adjunct of commerce, it was built for national defense. I have no objection to the Panama Canal. I think we ought to keep it even though it costs us some money. [Applause.]

[Here the gavel fell.]

Mr. MARTIN of Massachusetts. Mr. Speaker, I yield 5 minutes to the gentleman from Minnesota [Mr. KNUTSON].

Mr. KNUTSON. Mr. Speaker, I appeal to the Members of the House not to enact the bill this rule makes in order. As the gentleman from Kansas [Mr. CARLSON] so ably pointed out, when the Panama Canal was constructed and placed in operation it served to push the coast lines much farther away from the interior of the country in the matter of freight rates, and the result has been a constant attrition in the industrial activities of the Mississippi Valley. This legislation, if put into operation, would result in forcing the coast lines yet farther away from the Mississippi River, increasing freight rates, which would lose us yet more industries. It must be apparent to all of us that the granting of this subsidy will result in taking yet more business away from the American railroads—the biggest employer of labor in the country, the biggest consumer of raw materials, the biggest single consumer of coal. Notwithstanding the fact that the railroads of the United States, with two or three exceptions, are practically bankrupt, and many in receivership, we have before us a bill that would further complicate their difficulties.

It is inconceivable to me that any Member, regardless of political affiliations, who comes from west of the Allegheny Mountains or east of the Rockies, would vote for the enactment of this bill. We are having trouble enough in the Middle West as it is without putting us under the discriminations that this bill would impose. We are having serious labor difficulties. Our railroads are in just as bad shape as are the railroads of any other part of the country, if not worse. Only one thing will save the situation in the Middle West, as I see it, and that is the enactment of the Pettengill long-and-short-haul bill. This would give us some relief. I beseech you not to pass this bill and place upon us further burdens that we are so poorly prepared to meet and carry. [Applause.]

Mr. Speaker, I yield back the balance of my time.

Mr. MARTIN of Massachusetts. Mr. Speaker, I yield 5 minutes to the gentleman from Missouri [Mr. SHORT].

Mr. SHORT. Mr. Speaker, I am rather reluctant to oppose the passage of this bill, because I think everyone in this Chamber realizes that I have always been, and am still, a friend of the waterways of this country. I have had the pleasure of serving on the Flood Control Committee of this House, and at the present time I am a member of the Committee on Rivers and Harbors, a very fine committee. I happen to be one of the vice presidents of the National Rivers and Harbors Congress. Not only that, but only this morning the gentleman from Louisiana [Mr. DEROUEN] and I were the only two Members of the House who joined a group of Senators to see a wonderful picture shown by Gen. Thomas L. Ashburn, director of the Inland Waterways Corporation. There is no person here who is a greater friend of waterways than I am.

I further regret to oppose this bill because of the splendid chairman of the Merchant Marine and Fisheries Committee, our able friend from Virginia, Judge BLAND. I hold no brief for the railroads of this country, but I do want to point

out that the railroads of our Nation are in a critical condition; and if we pass this legislation, it will tend to further cripple them and throw more railroad men out of employment. It will seriously impair the great industries that furnish the raw materials to the railroads of the Nation. It will adversely affect the investments of thousands of our best middle-class people.

Not only that, Mr. Speaker, but I think we all realize the vast difference there is in rail rates and water rates. The Pacific coast can ship its products to New York more cheaply than we can ship them from the States of Kansas, Arkansas, or Missouri to New York. A day or two ago this House passed a bill that would put more than \$700,000,000 into a revolving fund for irrigation and reclamation projects.

I vigorously opposed that measure, not because I am against irrigation and reclamation but because it seems to me that at the present time we should not launch new projects when we are paying farmers in the Midwest to keep their land out of cultivation. We took a direct slap at the farmers in the Middle West when we passed that measure. If you want to just simply knock us in the head, cut our throats, and exterminate us completely by injuring further not only agriculture in the Midwest, which suffers discrimination in these cheap rates but industry as well, go ahead and pass this bill; but when you do it you are going to vote against the great interests of the vast majority of the people of this country.

The railroads at the present time receive no subsidy from this Government, and they should receive no subsidy. At the present time shipping does receive a subsidy from the Government, and now we want to grant them a further subsidy. After all, there is a limit beyond which we cannot go and not as an enemy but as a staunch friend of the waterways, of flood control, and river and harbor development in this country, I want to say one good word for the railroads of this country. Certainly all the Members of the House, if they are really fair, will vote to strike out section 30, particularly, of the present act.

Mr. CULKIN. Will the gentleman yield?

Mr. SHORT. I yield to the gentleman from New York.

Mr. CULKIN. The gentleman does not oppose the general principle of trans-Atlantic subsidies, does he?

Mr. SHORT. No; certainly not, and I never have.

Mr. CULKIN. The gentleman is for that principle of trans-Atlantic subsidies?

Mr. SHORT. I certainly am; but when we throw one section of our country into direct competition with other sections of our country that is utterly destructive, unless we call a halt at some reasonable point, then, of course, I am compelled out of both conscience and reason to oppose it, and I think all Members of the House in their fair-mindedness will act likewise.

Mr. FORD of California. Will the gentleman yield?

Mr. SHORT. I yield to the gentleman from California.

Mr. FORD of California. Would the gentleman then draw two lines, one at the Rocky Mountains on the west and the other at the Allegheny Mountains on the east and just separate California and the whole of the west coast, which buys and sells products, from the other parts of the country and say that we shall not buy the products of the Middle West or East?

Mr. SHORT. Certainly I deplore sectionalism, and I would not advocate it for a minute.

Mr. FORD of California. But that is just what the gentleman is doing.

Mr. SHORT. California has got everything but the dome on this Capitol in the past 5 years. You are going to get \$20 per capita under the new spending program whereas the citizens of my State will receive only \$4.

Mr. FORD of California. If that is not sectionalism, I do not know what is.

[Here the gavel fell.]

Mr. HARLAN. Mr. Speaker, I yield 15 minutes to the gentleman from Virginia [Mr. BLAND].

Mr. BLAND. Mr. Speaker, the attack principally upon this bill is being made on section 30. Personally, except for the reason upon which I predicated section 30, I have no interest in it. The amendment was inserted at the instance of my friend, Congressman WELCH, of California, who is unable to be here today because he went to the West accompanying the remains of another member of the committee, Mr. COLDEN.

There is nothing to be excited about and unless we can show you that this subsidy is based and predicated upon the ground of national defense the amendment should not prevail. I am perfectly willing to admit that when the proposal was first made to me I was probably as much opposed to it as any man on this floor. I am willing to admit that when the section was written into the bill I realized that we were probably involved in a controversy. This is a controversy which should not exist because I believe we have protected the railroads against a discrimination that they say has existed for many years, and I will discuss that later. I am going to discuss now only this intercoastal subsidy.

First, there is nothing mandatory. There is simply authority in the Commission to grant the subsidy. What is the situation? Practically the entire fleet of the United States is today in the Pacific Ocean. It is there for the purpose of national defense. Auxiliaries are needed in the event of emergency, auxiliaries to serve that fleet and protect the United States. A short time ago there were 15 ships, as I recall, that could be used as auxiliaries. With the elimination of the *Panama*, *Pacific*, the *Grace*, and three other ships, and the loss of one from the Dollar Line there are left for use as auxiliaries five ships, only two of which are always available.

Mr. HOPE. Mr. Speaker, will the gentleman yield?

Mr. BLAND. I yield to the gentleman from Kansas.

Mr. HOPE. Do I correctly understand that the fact these ships have been taken out of the intercoastal service means they are not to be in use at all and are not going to be in service where they will be available?

Mr. BLAND. Not at all, but they are in use to foreign ports.

Mr. HOPE. Will the gentleman yield further?

Mr. BLAND. I am sorry; I have such a limited time. We will discuss this later. What I am asking them to do now, with a brief discussion and presentation of the facts, and I do not wish to be discourteous, is to let us adopt the rule. We may then discuss freely and frankly this proposal, and hear the men from the Pacific coast in defense of the proposal. Unless they can defend it upon the ground on which I am now making my argument, the item ought to go out of the bill. It was not recommended by the Maritime Commission, but when Mr. Kennedy visited the Pacific coast last fall this is what he said in a speech made on the Pacific coast:

There is one aspect of the situation, however, that may force us to reexamine the whole intercoastal problem. That is the question of national defense. The President, concerned by the unsettled condition of world affairs, has urged Congress to strengthen our facilities for defense. The merchant marine is an integral part of the defense mechanism of the Nation. This has always been true. It is especially true today in view of the consideration being given to the upbuilding of the Navy. A large volume of merchant tonnage is absolutely necessary to the effective functioning of the armed forces.

Then this paragraph:

For purposes of national defense, vessels in domestic service are even more valuable than those engaged in international commerce. The former are always in or near American waters, subject to instant call. Vessels in foreign trade, on the other hand, spend perhaps three-fourths of their time on the high seas or in foreign waters, subject to various hazards in time of trouble. The action of the United States with regard to German vessels during the World War shows what we might expect, even from neutral nations, in any future conflict that may arise.

May I interject parenthetically that before we got into the war I saw the *Prince Eitel Friedrich* run into the harbor at Newport News for internment.

Mr. PETTENGILL. Mr. Speaker, will the gentleman yield?

Mr. BLAND. I cannot yield now. It can be discussed in the consideration of the bill.

I call your attention to this statement of Mr. Kennedy:

It appears, therefore, that the United States might well consider the subsidizing of vessels in domestic trade as a matter of national defense. Because of this possibility, and because of the importance of the intercoastal service to the Nation's commerce, I have recommended that the Commission undertake a study of this entire problem. The economic survey recently completed by the Commission gave us a new insight into the problems of the foreign-going fleet. I think that we should make such a survey of the vessels and services in the coastal and intercoastal trade.

We will discuss it freely after the rule is adopted.

We have inserted in the bill provision for subsidies. There is no mandatory authority in the bill for the subsidies, and this is entirely in conformity with the provision of Mr. Kennedy's speech in that it provides the machinery so that, if the Commission feels a subsidy should be granted, limits are set to that subsidy.

Complaint has been frequently made, and it was made in the discussion of the Pettengill bill, that there was no authority that would pass on the rates through the Panama Canal. In this act we have amended the intercoastal bill, not only placing in the Maritime Commission the power to recognize the rates that have been fixed by the intercoastal carriers but giving them the right, giving them the power, and charging them with the duty of regulating maximum and minimum rates and of fixing, if necessary, fixed rates for the protection, first, of the railroads in the contention that they have made against the rates through the Panama Canal, and, second, of the carriers themselves against chiseling in the trade, because at present while there are rates required under the Intercoastal Act they can be changed every 30 days.

According to the testimony that came before our committee, certain lines would fix a rate and then there were others that would use that rate as an umbrella. They would always fix their rate a little lower than these other lines, and they would let it be understood that they would carry goods always at a lower rate than other carriers.

You will find that the provisions in the bill are protective, so that the subsidy cannot be granted unless it is meritorious, and then only for the purpose of national defense.

Let me mention another thing. There was a letter written to the gentleman from California [Mr. WELCH] by an eminent official in the Navy Department, Admiral R. E. Ingersoll, Chief of War Plans Division of Naval Operations, in which it was stated that there should be a minimum of about 40 fast passenger ships for use as hospital ships, transports, and other auxiliary purposes. If such vessels were employed in foreign trade, then the indications are that the number of such available vessels would be much less than this.

There are available today only about five vessels, and only two of those vessels are available practically all the time. I refer to fast liners. These are the lines operating between California and the Hawaiian Islands.

Imagine the situation if, just prior to hostilities, the locks of the Panama Canal should suddenly be destroyed. Imagine a situation where every vessel from foreign service that was to act as an auxiliary in the Pacific had to go around Cape Horn. Only two vessels, the *Lurline* and the *Matsonia*, with the other ships that run to Australia, could serve as auxiliaries.

Mr. Speaker, with the far-flung line there to be protected, the Committee on Merchant Marine and Fisheries felt it should not assume the responsibility of saying that this relief should not be granted. The committee believed that they should write in the bill the relief desired and of objections existing. The matter could be threshed out here on the floor. I have no personal interest in it, save the defense of my country and the western coast. [Applause.] So far as I am concerned, on my side I guess we will be protected. It was for the people of the west coast that I agreed, as one member of the committee, that this provision should be written into the bill, and also because of the troubled conditions all over the world today.

Mr. OLIVER. Mr. Speaker, will the gentleman yield?

Mr. BLAND. I yield.

Mr. OLIVER. Is it not a fact that these three ships that have been available on the west coast for speedy navy auxiliary service in case of war are at the present time entirely tied up at the dock and deteriorating through misuse since the 1st of April?

Mr. BLAND. Yes; they are off the line now.

Mr. OLIVER. So, as a matter of fact, there are no ships available on the west coast at the present time except those that are tied up at the dock and not being used for merchant-marine purposes?

Mr. BLAND. Except the *Lurline*, the *Matsonia*, the *Mariposa*, and possibly one other ship of the Matson Line and one ship of the Dollar Line.

[Here the gavel fell.]

Mr. MARTIN of Massachusetts. Mr. Speaker, I yield 3 minutes to the gentleman from Michigan [Mr. CRAWFORD].

Mr. CRAWFORD. Mr. Speaker, I do not want to be regarded as being opposed to an adequate merchant marine, because I think I can comprehend somewhat the value it is to our country from a shipping standpoint.

I do not want to be regarded as opposing our friends on the Pacific coast, but when I contemplate the disadvantages which our people inland have, not only from the standpoint of getting from inland to the coast but from the standpoint of trying to compete with the people of the world who have access to ocean shipping, such as South American countries, European countries, and Asiatic countries, particularly Japan, I cannot go along with section 30 as it is here written. At the same time I am very much in favor of materially amending the Merchant Marine Act, and I believe a portion of this bill is very fine and I am glad to see it here before us.

Mr. BLAND. Mr. Speaker, will the gentleman yield?

Mr. CRAWFORD. I yield.

Mr. BLAND. Does not the gentleman think the best thing to do is to adopt the rule and then thresh that matter out squarely?

Mr. CRAWFORD. That may be, and I have only 1 or 2 minutes. Furthermore, if you will look carefully into the matter of endowment funds of our churches which are invested in railroad securities, of our educational institutions which are invested in railroad securities, and of our insurance reserves which are invested in railroad securities, you will comprehend how serious the situation is. This was very clearly set out last week in an issue of the *Journal of Commerce* of New York, where the balance sheets of these insurance companies were very clearly presented. This will give you a full realization of the fact that section 30 involves a policy of the highest importance to our Government at this time, particularly in view of the staggering problem which we face from a railroad standpoint. I therefore hope that this subsidy will not be put into operation at this time, and that we will give further study to it, and that the committee in charge of this bill, as well as the Members of the House, may have further time to consider it with relation to all of the interests of the United States, inland as well as on our shores.

Mr. MARTIN of Massachusetts. Mr. Speaker, I yield 2 minutes to the gentleman from New York [Mr. CULKIN].

Mr. CULKIN. Mr. Speaker, as I gather the gist of this discussion, there is no opposition to this bill except as to section 30. May I suggest to the Members of the House, who have been impressed with the earnest and able and eloquent gentlemen who discussed this section 30, that they reserve judgment on that question until after general debate has been concluded. There are definitely two sides to that question. The distinguished chairman of the committee has mentioned one element. I mention another, the artificial barriers created by tolls on these ships going to the west coast, amounting on the return trip to some \$30,000. The "red herring" of the railroads has been dragged across the trail. I do not say that it has been done so improperly, but it has been stressed too strongly, because the carrying tonnage of these five ships is practically nominal in character and will have no effect upon the destinies of the railroads. I ask the House to reserve judgment on that question until

it has heard the committee and the other Members of the House discuss the matter pro and con.

The SPEAKER. The time of the gentleman from New York has expired.

Mr. MARTIN of Massachusetts. Mr. Speaker, I hope there will be no opposition to the rule. While the need of amendment may appeal to Members, the subject is one which should appeal to us all as a necessity. Foreign trade is essential, and we cannot expect our full share of foreign commerce unless we have a merchant marine. It is the history of every country of commercial importance it must contribute to the upbuilding of its merchant marine. That is true in England and Germany and in every other great commercial country. The United States cannot expect to have its full share of commerce and depend upon foreign boats to carry its goods. Boats under foreign flags naturally give preference to the transportation problems of their own country. An adequate merchant marine is of virtual necessity in time of war. Then we realize fully the failure of a policy which makes us dependent upon foreign ships. The feverish haste to provide a merchant marine in 1918 is still remembered along with the tremendous waste and lack of proper compensation for the vast expenditures.

A reasonable expenditure of money to build up and maintain a merchant marine is a sound policy. I trust the rule will be adopted and the legislation become enacted into law.

Mr. HARLAN. Mr. Speaker, there being no further demand for time on this side, I move the previous question. The previous question was ordered.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

Mr. MARTIN of Massachusetts, Mr. CARLSON, Mr. KNUTSON, Mr. THURSTON, and Mr. MURDOCK of Arizona, were granted leave to extend their remarks in the RECORD.

Mr. BLAND. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 10315, to amend the Merchant Marine Act, 1936, to further promote the merchant marine policy therein declared, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 10315, with Mr. DUNCAN in the chair.

The Clerk read the title of the bill.

Mr. BLAND. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. BLAND. Mr. Chairman, I yield myself 15 minutes. I shall leave the discussion of section 30 very largely to the persons most vitally interested in it. I have presented to the committee my views. There is very little else that I can say with respect to that. There may be some other points that will occur to me, and, if so, I shall discuss them under the 5-minute rule. I know that the Pacific coast Members and gentlemen representing the interior are vitally interested in this subject, and I shall not discuss that section now.

This bill consists of approximately 45 sections. Many of these sections are purely clarifying amendments, or amendments that are recommended by the Maritime Commission for the purpose of correcting controversies or removing controversies with respect to the interpretation of the act. There are at least 10 of those sections that are in these 45 that are purely clarifying. Many of the remaining 35 sections contain clarifications and provisions designed to improve the Merchant Marine Act of 1936 and to eliminate unworkable provisions. I remind the members of the committee that when the Merchant Marine Act of 1936 was written into law, it was passed by the Senate just a few days before the adjournment of Congress. With all due re-

spect to that body, they are subject to error, just as we are here, and we know in our own experience that it is always helpful to have amendments threshed out in conference. This would prevent unworkable conditions. We had no opportunity to go to conference, and I am satisfied that the Senate itself will find that many of the objections which have been made by the Maritime Commission are well taken. There were various sections recommended by the Commission and supported at the hearings by the former chairman of the Maritime Commission. I may say also that some of the recommendations made by the Maritime Commission have been eliminated from this bill because we thought that they involved matters to which more careful and further study should be made by the committee and the Commission.

I refer to the recommendation for the Labor Board, for training of seamen, and some other provisions.

Chairman Kennedy said at the hearings in suggesting modifications of the 1936 act that the Commission does not wish to be placed in the role of petitioner, nor can the Commission promise to solve the shipping problem if the changes here suggested are made. The Commission is merely indicating alterations which in its opinion would make the objectives of the act more likely of attainment. Only experience can demonstrate whether or not revised legislation will enable us to achieve the objectives which Congress had in mind.

He also briefly discusses the reasons for a merchant marine in the following language:

The reasons, of course, are commerce and defense. With a world organized on a basis of perpetual peace we might be justified in entrusting our goods to those who would carry them at the lowest rates. Unfortunately, the world is not at peace and a merchant marine of some proportions is a necessary precaution against the disruption of our trade through the withdrawal of foreign carriers. The Commission's survey—

And permit me to recommend that survey to every man in this House as a most elaborate and comprehensive discussion of the importance of an American merchant marine and its difficulties and complications.

Mr. Kennedy said:

This Commission's survey found little to substantiate the claim that American vessels reduced rates or prevents discrimination.

We take issue with that, but that is neither here nor there at the present time. The survey did find, however, that American vessels in trade tend to improve the service given to our goods and that in the final analysis we have no other insurance against a repetition of the situation confronting us in the early part of the World War.

It must be pointed out that the United States is maintaining as a defensive measure one of the largest navies in existence. This Navy would be greatly handicapped without a plentiful supply of efficient modern vessels.

Mr. Kennedy said:

The policy of the United States with regard to shipping we believe to be to maintain the smallest merchant fleet consonant with the needs of commerce and defense. We are now carrying about 35 percent of the cargo entering and leaving our shores. Subsidized vessels carry slightly less than half that cargo, or 16.6 percent. It would not seem to be the part of wisdom to entrust to foreign vessels any more of our goods than they now carry.

After quoting the merchant-marine policy of the United States as expressed in section 101 of the Merchant Marine Act, Mr. Kennedy said:

The Commission is in thorough accord with the declaration of that policy, but has been forced to conclude that these objectives are more likely to be achieved if certain changes are made in the present law.

There are certain sections which I am not going to discuss because we will reach them under the 5-minute rule, when we will take them up if there are any questions to be asked about them. Many of them are clarifying amendments. I want to call attention, however, to one amendment which is regarded by the Commission as of vital importance, and that is section 11, which deals with the down payment and subsequent installments made for ships.

The provision in the pending bill will permit down payments of 25 percent of the foreign cost rather than of the American cost. I have had an example worked out of the question involved in that amendment. The difference is the amount carried under the mortgage. For instance, if the ship costs \$2,000,000 and the subsidy is \$1,000,000, then the shipowner is now required to pay 25 percent of the American cost, which includes the subsidy. The recommendation of the Maritime Commission is that instead of paying 25 percent of the American cost it should only be 25 percent of the foreign cost, that is, the cost to the man who buys the ship.

This is consistent with the policy that obtains abroad. It was testified before this committee that the Export Steamship Co. might be able with funds now available, and without invasion of their reserves, to build two ships, whereas if the present law remains unchanged that company could build only one, because they would not care to invade their reserves to the extent of paying 25 percent of the American cost.

Mr. WALTER. Mr. Chairman, will the gentleman yield?

Mr. BLAND. I yield.

Mr. WALTER. As I understand it, the Commission may enter into and negotiate a contract and take into consideration the conditions of unemployment and the needs and requirements of the shipyards.

Mr. BLAND. That is true.

Mr. WALTER. I am wondering whether or not an amendment on page 9 giving the Commission the right to take into consideration the benefits accruing from standardized construction might not be of considerable assistance and result in cutting the cost of the ships considerably?

Mr. BLAND. The gentleman, I may say, was very kind to call my attention this morning to the amendment which he proposes. I made the statement to him at that time that I thought the Commission had all of the authority and power now that would be conferred by the proposed amendment. The gentleman will recall that in the advertisement that was made of the C-2 cargo ships, on which contracts have not yet been let, provision was made for the allotment of as many as four ships to one shipbuilder. Since the gentleman has called my attention to this matter I have talked with Admiral Land, and his interpretation of the existing law is that they have the power which the gentleman wants.

Mr. WALTER. Then the amendment would be surplusage?

Mr. BLAND. I think so. Without committing myself to the proposal, I think there is considerable merit in the gentleman's suggestion, because if you allot one ship to a yard, then the plans, the molds, the patterns, and other things will bring about an expense per ship larger than if you have four ships. As a matter of fact, while some comparison has been made between bids on the cargo C ships and the cargo ships built in the Hog Island yard during the war, that item of cost was an important consideration. In the war the Hog Island yard built 110 ships according to the same plan. The cost of the preparation of the plans, molds, patterns, and so forth, was divided by 110. In other words, if it had been one ship it would have been 110 times what it was as apportioned among the various ships.

Mr. WALTER. That is exactly the situation I had in mind.

Mr. BLAND. And the fact they have in the advertisements permitted the construction of at least four ships, and I think in the case of tankers more, in one yard shows they have that power. I shall be glad to have the gentleman examine the law and find out what he can about it.

Mr. THOM. Will the gentleman yield?

Mr. BLAND. I yield to the gentleman from Ohio.

Mr. THOM. How many ships are under construction now or under contract with the Shipping Board?

Mr. BLAND. I do not know about those under construction. I think there are 12 tankers on which contracts have been entered into. The only other ship I know of is a United States liner on which a contract has been let for construction. Advertisements have gone out for these other ships, but the contracts have not been let.

In this connection, let me say this of the fleet of the United States today, and this is not confined alone to the subsidized fleet. Eighty-five percent will be obsolete in 5 years. I do not mean by that that those ships will then actually go off the seas, but they are uneconomical. When we had the merchant-marine bill under consideration in 1935, I was advised by the head of the Division of Research that in the operation of those old ships there was carried up the smokestack about \$5,000,000 that need not have been paid if the ships had been modern and provided with up-to-date equipment. Other ships are entirely obsolete. We wish to remedy this situation. These old ships would serve no useful purpose for national defense and in a little while will be useless for the promotion of our foreign trade and commerce.

Mr. REED of New York. Will the gentleman yield?

Mr. BLAND. I yield to the gentleman from New York.

Mr. REED of New York. Has the gentleman any figures in the record to show the difference in the cost of operation between the foreign merchant ships and our own?

Mr. BLAND. No. I do not have that with me. I had the figures when the matter was up before. I have not gone into that feature recently. However, that is involved in the determination of every question of subsidy that is awarded by the Maritime Commission, because the gentleman will recall that now our subsidy is based upon the difference in construction differentials and in operating differentials. There is a construction-differential subsidy based upon the difference in cost of construction at home and abroad, and then there is an operating-differential subsidy based upon the difference in the cost of the operation of the ship on competing lines. That is determined every year.

Mr. REED of New York. That is the question I wanted to know, whether that is carried along.

Mr. BLAND. That is determined every year. There is a further provision, and this will be brought up in another section, having a recapture clause covering periods of 5 years. We propose to change that period to 10 years for reasons which appear in the report and can be cited at the time we reach the section. I may say the reason for the change from 5 years is because 5 years will not cover the cycle. A period of 10 years would more nearly cover the operation in times of prosperity and depression. There may be recaptured by the Government a part of the operating profits on a specified percentage.

Mr. REED of New York. Does that recapture apply to countries such as Japan, where the cost of operation is extremely low, whereas it is higher in the case of other nations? Is there a differential, in other words, as between countries?

Mr. BLAND. Yes. If in the course of its operations with Japan it makes a profit in the operation over and above the amount that is specified in the bill, then there is recapture by the Government.

[Here the gavel fell.]

Mr. BLAND. Mr. Chairman, I yield myself 1 additional minute.

Mr. WITHROW. Will the gentleman yield?

Mr. BLAND. I yield to the gentleman from Wisconsin.

Mr. WITHROW. Can the distinguished gentleman tell us approximately how many ships there are in intercoastal service that have accommodations for 200 first-class cabin passengers?

Mr. BLAND. Those taken off are the only ones.

Mr. WITHROW. There are not any in service now?

Mr. BLAND. No.

Mr. WITHROW. Are there any intercoastal vessels that can make 25 knots an hour?

Mr. BLAND. No. I have a statement that was prepared as to the particular ships which have been taken off.

My recollection is that the speed of the Panama Pacific ship is 18 knots and the speed of the Grace Line ship is between 19 and 20 knots. Let me call the attention of the gentleman to the fact that Japan in the last few years has been constructing ships that can make 20 to 25 knots, and some of them are operating to New York. Many of these

ships are running in competition with our ships. They could be used as an auxiliary fleet in the event of war with Japan just as merchant ships of other countries may be used by their governments in emergencies. We should be prepared for any eventuality.

[Here the gavel fell.]

Mr. CULKIN. Mr. Chairman, I yield 5 minutes to the gentleman from Iowa [Mr. THURSTON].

Mr. THURSTON. Mr. Chairman, in rising to oppose the subsidy proposal, I should like to call the attention of this body to a sound historical precedent that was adopted by the Congress many years ago, when it was provided that Members from certain districts could not be assigned to a committee whereon they could act as special pleaders for industries or projects in their own districts. What a salutary and sound rule that would be today, because we know many of the Members of these important committees appear in the Congress as the agents for special groups in their own districts. Hence we have Members from cities where ships are built who are most interested in a ship-building program sponsoring this measure. Likewise the Committee on Irrigation and Reclamation is dominated by the Members from sections interested in such projects; also, the Committee on Rivers and Harbors is dominated by Members who have such projects. I might go on ad infinitum and cite illustrations of the unsoundness of the composition of and undue interest of the committees having in charge many important measures. Members having a primary or special interest should not dominate legislation.

Mr. Chairman, it seems to me we should further amend the title of this bill, which now reads "To amend the Merchant Marine Act, 1936, to further promote the merchant marine policy therein declared, and for other purposes," by adding, "to further diminish the income of transcontinental rail carriers." Such an amendment would more clearly explain this raid on the United States Treasury.

Only a few weeks ago the Interstate Commerce Commission increased the freight rates upon farm products from 5 to 10 percent, because of the very unfavorable condition that now exists in the field of rail transportation. Many of the great railroad systems of the country traverse the State of Iowa, and only three, the Burlington, the Illinois Central, and the Santa Fe are free from receiverships. The great rail systems known as the Rock Island, the North Western, the Milwaukee, the Great Western, the Wabash, and the Minneapolis & St. Louis are in the hands of the receivers, and why? Because their income has been sharply diminished; yet we propose here to make almost unlimited loans—at least \$200,000,000—to the water carriers to enable them to haul commodities from one coast to the other and thereby deprive the transcontinental railroads of the income that justly belongs to them. In other words, the Treasury would pay part of the freight rate for coastal shippers. It cannot be justified, under the cloak of patriotism that has been wheeled out here for the purpose of building up a feeling that we must have these ships act as tenders to supply our fleet.

If there were a restrictive provision in this bill so that these ships should be used only in international trade, there might be some sound contention for this proposal to assist in promoting foreign trade; but we know it is mostly because these ships are to haul freight from one coast to the other that this raid on the Treasury is being promoted here today. The proponents say, "Oh, well, the subsidy is discretionary with the Board and a limit has been placed on it." Yes; a limit has been placed on it, but the sky is the limit. It is proposed to offer these sums, which will involve the payment of from \$20,000 to even \$50,000 for one trip as a subsidy for a ship to steam from one coast to the other.

The interior sections are obliged to pay high freight rates, but this bill would greatly prefer the coastal sections of the country. You from the consuming centers of the country should know that when these freight rates are added to the cost of the food you consume there must necessarily be an increase in the price of the commodities your people must pay in order to subsist. Why support and bear the expense

of two systems of transportation, when one will serve the purpose?

Then, if we follow the policy herein proposed, we say to those who go into the coastal shipping industry, "You may have these gratuitous bounties and you may be assured of a fixed income," whereas, the railroads now in their struggle to keep their lines in operation are obliged to compete against ocean shipping lines, which receive direct, large subsidies out of our Treasury.

Furthermore, being new, these ships will be supplied with oil-burning equipment, which will thereby displace equipment requiring coal for transportation, the fuel used to generate the power for most of the railroads of the country. One-fifth of the oil used in the United States is imported from foreign countries. Is this competition with our domestic coal industry fair, or justified?

We have talked about the Sherman antitrust law; yet today it is proposed to violate the spirit of that law by granting a preference to one form of transportation over another. I have been informed that the members of the Interstate Commerce Commission, which has jurisdiction over rail, truck, and bus rates, has not been consulted as to the effect this legislation will have upon the haulage of persons or property. So, without the affirmative opinion of these disinterested rate experts, section 30 of this bill should be stricken therefrom. [Applause.]

[Here the gavel fell.]

Mr. BLAND. Mr. Chairman, I yield 8 minutes to the gentleman from California [Mr. FORD].

Mr. FORD of California. Mr. Chairman, when we talk about shipping we must take into consideration one or two very important factors. In the first place, when we talk about overseas shipping we must recall that the United States is the greatest exporting nation in the world and the second greatest importing nation. In order to keep our ships on the seas in foreign trade we must subsidize them, because every other maritime nation in the world does the same thing. Therefore, the question of subsidy is merely one of meeting conditions that arise abroad.

As far as subsidies are concerned, nobody objects to what is known as a construction subsidy which will enable us to build our own ships in our own country. However, those who are opposing this bill seem to base their opposition particularly on a very narrow and restricted sectional ground. One of the distinguished gentlemen stated we are giving a subsidy to the ships but not to the railroads. I call that gentleman's attention to the fact that at one time we gave the railroads 15 miles of land on each side of their right-of-way all the way across the country and gave it to them for nothing, and in addition to this voted millions in bonds so they were properly subsidized in the beginning.

Mr. BIERMANN. Mr. Chairman, will the gentleman yield?

Mr. FORD of California. I yield to the gentleman from Iowa.

Mr. BIERMANN. I believe the gentleman ought to correct that statement by adding that in exchange for this land subsidy the railroads from that time to this very hour have granted the Federal Government special rates of transportation.

Mr. FORD of California. Those rates have not anything like compensated the Government for the amount of land the railroads got.

Mr. CARLSON. Mr. Chairman, will the gentleman yield?

Mr. FORD of California. No, not now; a little later.

Another gentleman spoke of the fact that this would be a discrimination against a ship leaving the port of Houston, Tex., and going to New York. Such a ship goes out of that harbor and up the Atlantic Ocean, but does not cross the barrier that we call the Panama Canal and pay a toll charge of fifteen or twenty or twenty-five thousand dollars for each trip through the Canal. So this is another handicap we have.

Getting back to the question of national defense, let me call your attention to the fact that if we keep our great fleet

on the Pacific, as we are doing today, because that is the only place there seems to be any necessity for it right now, if we do not have on the Pacific coast an adequate number of auxiliary ships to keep that fleet well fueled and well fed and well cared for, then we are simply in the position of a man who has a beautiful automobile but no gasoline, and our national defense is menaced to the same extent that such a man would be menaced if his automobile were out on the desert and he had no water or gasoline to get it back.

Now, the railroads can carry, and will carry, to the coast the supplies that these ships will need, but railroads are not seagoing implements, and when they get to the coast they stop, and the only way you can get such supplies to a ship is by taking them over the water.

Mr. HOPE. Mr. Chairman, will the gentleman yield?

Mr. FORD of California. If the gentleman will wait just a moment I will yield.

One of the speakers made the statement that Members who are speaking on this bill are simply attorneys for groups in their districts. I do not happen to be an attorney, and I am not an attorney for any shipping group or any other group, but I am here to point out to you that the city of Los Angeles, from which I come, is one of the great maritime cities of the world, and we have spent on our harbor alone better than \$60,000,000 to create from a little mudflat one of the finest harbors in this country.

Mr. CARLSON. Mr. Chairman, will the gentleman yield?

Mr. FORD of California. Yes.

Mr. CARLSON. The gentleman talks about subsidy to railroads, and the gentleman has just mentioned \$60,000,000 having been spent on the harbor at Los Angeles. Who spent that money?

Mr. FORD of California. We did—the city of Los Angeles.

Mr. CARLSON. Did the Federal Government spend any money on the harbor?

Mr. FORD of California. No. All the Government did was to build a breakwater, just as they have built one at every other harbor in the country.

Mr. WITHROW. How much did that cost?

Mr. FORD of California. About \$7,000,000, but you build those east or west, north or south. Wherever there is a harbor being developed and a breakwater is necessary, the Federal Government builds it.

Mr. GIFFORD. Mr. Chairman, will the gentleman yield?

Mr. FORD of California. I yield.

Mr. GIFFORD. Will the gentleman explain the narrow, sectional representation against this bill? Just how much does it comprise, and is it not really narrow and sectional?

Mr. FORD of California. There is nothing narrow or sectional about the bill. It is a bill that has to do with national defense, but some Members seem to think it is a discrimination against that section of the country lying between the Rocky Mountains and the Alleghenies.

Mr. GIFFORD. Is that a narrow section of the country?

Mr. FORD of California. I think it is—that is my view of it. [Laughter.] I mean narrow in the sense of not taking the whole Nation into consideration as being benefited. I have the philosophy about matters of this kind that you cannot help or you cannot hurt any single section of this country without helping or hurting every other section, and this philosophy is one that animates my action with respect to every measure that comes before this House which seems to have for its object the development of the country. I think my votes in the House will demonstrate this. I have voted for every farm measure and every other measure that had for its purpose benefiting every other part of this country, and I think the attack that is being made on section 30 represents a sectional view.

Mr. KITCHENS. Mr. Chairman, will the gentleman yield?

Mr. FORD of California. I yield.

Mr. KITCHENS. Did the gentleman vote for the Pettengill bill—the long-and-short-haul provision?

Mr. FORD of California. Yes.

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Mr. Chairman, I wish to close by saying it is my belief if we do not provide for the development of our intercoastal shipping we are going to get into the same position we were in when the World War broke. If intercoastal shipping were not going to be taken over by the country in a case of emergency, I would say we might leave it out; but during the World War the first ships that were taken over were the intercoastal ships, and inasmuch as we put them in the same position as we do overseas ships, they are entitled to the same subsidy or the same aid. [Applause.]

Mr. CULKIN. Mr. Chairman, I yield 10 minutes to the gentleman from Kansas [Mr. HOPE].

Mr. HOPE. Mr. Chairman, I have no objection to this bill, as far as I know, except to section 30. I appreciate the fairness with which the distinguished chairman of the committee approached the discussion of that important section in the course of his remarks, and I shall endeavor to say what I have to say on the question in the same spirit.

I believe there is a very vital and fundamental question involved if we adopt section 30. It has been the policy of this country ever since we have had ship subsidies to limit them to vessels engaged in foreign trade. There are many reasons for subsidizing vessels which are engaged in the foreign trade. We must compete with low-priced labor, low-priced materials, and other conditions which make it impossible for us with our standards here to compete with other countries. In addition, almost every nation subsidizes its foreign shipping. But none of these reasons apply to subsidizing coastwise traffic. Coastwise traffic does not come in competition with foreign ships. In fact, it is the only business that I know of in this country which has an absolute embargo against foreign competition. No foreign ship can engage in the coastwise trade, and so none of the reasons which exist for subsidizing foreign shipping exists in the case of coastwise shipping.

What is the situation that brought about this demand for a limited subsidy on coastwise shipping? Under the Merchant Marine Act of 1928 and under the large subsidies which were given for carrying the mail by that act, there were built a number of so-called luxury liners, which operated between New York and the Pacific coast. They were able, by touching at two or three foreign ports on the way, to get the benefit of this ocean-mail subsidy. The facts that were brought out in connection with those subsidies helped cause the repeal of the act of 1928 and resulted in the present Merchant Marine Act. Even with the subsidy which was being received under the old act, those lines were not able to make money, and with that subsidy withdrawn, those two lines in particular, the Grace Line and the Pan-Pacific Line, have been suffering large losses. In fact, according to the figures which have been put into the record of the hearings on this bill, the Pan-Pacific Line in the course of 6½ years lost \$5,300,000, and in addition received subsidies of two and a half million dollars. The figures as far as the Grace Line is concerned are almost as bad.

Naturally, the people of California were sorry to see this great luxury line service fold up when those two lines had to discontinue their intercoastal service. That is the occasion for this particular legislation, and the subsidy which is proposed in this bill will apply to only six vessels, no one of which is now operating in the intercoastal trade. It will not apply to that great bulk of the intercoastal trade which is doing the work of transporting freight and passengers from one coast to the other. What is going to be the result? If we grant this subsidy, the ships which can qualify are going to be withdrawn from the traffic in which they are now engaged between this country and other countries and they are going to be put back into competition with our present intercoastal service. That service will have to compete with a subsidized ship service, one which cannot justify itself economically. Then what will happen? The next thing we will have to do will be to subsidize the remainder of our intercoastal shipping, because it cannot compete with

subsidized shipping. When that time comes, then we are either going to have to subsidize other forms of transportation or see our railroads continue to discontinue and tear up their trackage, leaving towns and cities isolated, and discharging thousands and hundreds of thousands of faithful employees.

It seems that now, when we cannot find a good argument for urging the enactment of legislation, we resort to the issue of national defense. There being no sound, economic, logical argument for restoring this luxury line service between New York and San Francisco, the argument has now been advanced that it is necessary as far as national defense is concerned. I call attention to the fact that unless new boats are built, boats which are economically sound from an operation standpoint, we are not going to make available a single vessel for national defense, because all that will be done will be to pull back into the intercoastal service these six vessels which have had to discontinue that service. Three of these vessels are now engaged in service between the west coast and South America. Three others will be taken over by the Maritime Commission under an arrangement already made with the Pan-Pacific Line, and they are going to be put into service between the United States and the east coast of South America.

From the standpoint of national defense we are going to have those vessels, whether they ply between New York and San Francisco or between San Francisco and the east or west coasts of South America. They are to be available for national defense either way. The only difference is that if we pull them back into the service we are going to begin the practice of paying subsidies on intercoastal traffic. No one knows where that is going to end, no one knows how much money it is finally going to cost, no one knows what havoc and destruction it is going to bring upon other forms of transportation in this country. There is no issue of national defense involved in this case. There is no reason of any kind for paying this subsidy except that the city of San Francisco and the west coast want to continue maintaining these luxury liners between the Atlantic and Pacific coasts when they cannot pay their own way. [Applause.]

[Here the gavel fell.]

Mr. BLAND. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. O'MALLEY].

Mr. O'MALLEY. Mr. Chairman, after the very able presentation of the case against section 30 by my distinguished colleague from Kansas, there is little I can add to the facts as to why section 30 should be stricken from the bill.

The whole trouble with subsidies is that once they are started every group that sees an opportunity will dip its fingers into Uncle Sam's Treasury. I have always been opposed to ship subsidies because I do not believe they are justified. I opposed the original Ship Subsidy Act that was passed 3 or 4 years ago. I opposed it along with the distinguished gentleman from Iowa [Mr. WEARN], and with the new member of the Maritime Commission, former Congressman Moran, of Maine. I said at that time that when the ship-subsidy racket started over again there would be no end to it, there would be no stopping certain groups from coming into this Congress and asking that they be included in the right to get a reward for incompetency in the management of their business. To my mind a Government subsidy is nothing but a reward by the Government from the taxpayer's pocket for being incompetent in running one's business.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield for one question?

Mr. O'MALLEY. Not at this point.

Mr. Chairman, the reason section 30 is in the bill, as stated by the gentleman from Kansas, is because there are about six liners that could not make their luxury trips pay and now they want Uncle Sam to furnish the money for them to continue to operate. The present trouble with intercoastal shipping is an oversupply of tonnage, the ships in the intercoastal service now are unable to find enough cargo to fill their bottoms. If you pay a subsidy for cer-

tain types of ships, it means under the terms of this bill that these ships will be withdrawn from the transoceanic service and put into the intercoastal service in competition with the already starving intercoastal lines. The tonnage that the intercoastal lines must depend upon today is not enough for them to survive and make money on. Are you now going to reward from the Government Treasury the owners of some of these transoceanic ships, pay them taxpayers' money to compete with an already starving intercoastal merchant marine? I do not think we ought to loot the taxpayers to bail out two ship lines.

The railroads are having enough trouble without further competition by an additional number of large ships. Remember that under the terms of this bill not a ship now in the intercoastal service can qualify for a subsidy, because in order that a ship may qualify under the bill it must be able to make a speed of from 16 to 25 knots. If they can qualify with this speed they get up to \$2 per ton as a subsidy.

Mr. BLAND. Mr. Chairman, will the gentleman yield?

Mr. O'MALLEY. I yield.

Mr. BLAND. It begins at 16½ knots.

Mr. O'MALLEY. Yes, I stand corrected; it begins at 16½ knots, but there is not a ship in the intercoastal service, as far as my information goes, that can attain a speed of 16½ knots. If the committee has information to the contrary, I would appreciate their putting it in the RECORD.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. O'MALLEY. I yield.

Mr. KNUTSON. I wish the gentleman would stress again what effect the operation of this proposed law would have upon the railroads in the interior of the country.

Mr. O'MALLEY. There is not a question but what the payment of a Government reward for these ships leaving the transoceanic service and entering the intercoastal service will damage the railroads and make their position even worse than it is now. In effect the ships will be paid \$2 a ton by the Government for competing with the railroads.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield further?

Mr. O'MALLEY. I yield.

Mr. KNUTSON. It is not only the tonnage that will be taken away from the railroads by the operation of these ships, but it is the tonnage that the railroads will lose because of increased freight rates, tonnage that will be diverted to other forms of transportation.

Mr. O'MALLEY. That is true.

Mr. KNUTSON. They would be diverted to other forms of transportation?

Mr. O'MALLEY. I agree with the gentleman. One other qualification for getting this gift from Uncle Sam for not being able to make those big luxury liners pay is that no operating subsidy shall be paid under this section for the operation of a vessel unless it has accommodations for a minimum of 200 first-class or cabin-class passengers. There is not a single ship in the intercoastal service that can accommodate 200 first-class passengers, as far as I can find out from the record and the testimony before the committee.

Mr. OLIVER. Will the gentleman yield?

Mr. O'MALLEY. I yield to the gentleman from Maine.

Mr. OLIVER. Then why is the gentleman so disturbed about the effect of section 30?

Mr. O'MALLEY. I will tell the gentleman why I am disturbed. I am disturbed about this Congress paying a reward to the owners of six big liners so that these big liners will be withdrawn from their present service and put in competition with the present operators of intercoastal ships and the railroads. If they want to compete, we should not reach into the almost empty pockets of American taxpayers to give them a gift for doing so. That is why I am disturbed.

Mr. OLIVER. Does the gentleman realize that these ships at the present time are not being operated at all, but are tied up in the docks?

Mr. O'MALLEY. I may say to the gentleman that is very unfortunate. It is unfortunate for the investors, but there are a lot of railroads in this country, there are a lot of men working for railroads and there are ships now in the inter-coastal service that may not be operating if these six liners can get a gift from Uncle Sam to compete with them and put them out of business. That is more disturbing to me than the six ships being laid up at the docks and should disturb the Congress.

Mr. HOPE. Will the gentleman yield?

Mr. O'MALLEY. I yield to the gentleman from Kansas.

Mr. HOPE. Is it not a fact that three of these ships are now in operation and the other three will be put in operation by the United States Maritime Commission as soon as certain negotiations are completed?

Mr. O'MALLEY. That is my information and I appreciate the gentleman's contribution.

Mr. CRAWFORD. Will the gentleman please touch on this language in line 9, page 23, reading as follows:

Provided, That the requirement that a vessel shall have accommodations for a minimum of 200 first- or cabin-class passengers may be waived by the Commission.

Mr. O'MALLEY. Oh, yes.

Mr. CRAWFORD. That would really result in subsidizing the smaller ones?

Mr. O'MALLEY. They can waive the one provision if they desire, but not the others, as I see it.

Mr. CRAWFORD. Is it not also true that steamship bookings have greatly declined since the recession took hold of us and that this is another scheme to salvage the investments of people who put their money in ships?

Mr. O'MALLEY. The stockholders of the lines who were persuaded to buy stock in order to build these six great luxury liners now want Uncle Sam to come to their rescue by the payment of a subsidy. Special-privilege groups always come in here, whenever they want to raid the Treasury, wrapped in the folds of the American flag and they come in here under the guise of national defense. That is so old it has whiskers. It is a hoary skeleton that every special privilege raider of the Treasury has brought in every time he wants to dip his fingers into the Treasury. I am surprised that nowhere in the record can I find that during these hearings on this bill there was any indication that any of these ships which will be subsidized if this section stays in would be of any defense value at all. Let me point out to you that the report on this section contains three paragraphs, and this involving a section that may mean the expenditure of something like \$10,000,000. All those three paragraphs refer to is national defense, the old "boloney" that is always used when they want to raid the Treasury.

Mr. SHORT. Will the gentleman yield?

Mr. O'MALLEY. I yield to the gentleman from Missouri.

Mr. SHORT. Why should the Congress be greatly concerned with two or three ships lying in the docks when there are hundreds of railway locomotives, passenger cars, and freight cars rusting on sidetracks all over the United States?

Mr. O'MALLEY. I do not see why the Congress should be concerned. The great evil of the subsidy racket is that once you start it every broken-down bankrupt in the country sees visions of the Treasury as his last resort to pay him for his speculative errors.

Mr. BLAND. Will the gentleman yield?

Mr. O'MALLEY. I yield to the gentleman from Virginia.

Mr. BLAND. The steamers in question were all built under the Jones Act.

Mr. O'MALLEY. I am sorry they were built under the Jones Act, because that was an act I did not agree with. It was a bad act, in my opinion.

Mr. BLAND. They were built for defense purposes.

Mr. O'MALLEY. Because they were built under that act is no justification for continuing the raid on the Treasury in order to keep them running. This section should be stricken out so that the Congress will not be called upon to again raid the Treasury to pay for these white elephants of the merchant marine forever and a day. [Applause.]

[Here the gavel fell.]

Mr. CULKIN. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. CARTER].

Mr. CARTER. Mr. Chairman, I have listened with considerable interest to the words of alarm sounded by my good friends from the Middle West in reference to this measure. You would think that the great State of Kansas, the great State of Iowa, the great State of Missouri, and the great State of Wisconsin were going into the hands of a receiver if this measure, particularly section 30, should be enacted into law.

So, Mr. Chairman, I rise this afternoon to the defense of the great States of Kansas, Missouri, Iowa, and Wisconsin, and I say to you there is not such a dearth of ability and there is not such a dearth of generally progressive citizenship in those States as to cause any serious set-back to them even though this law is enacted.

Mr. SHORT. Mr. Chairman, will the gentleman yield?

Mr. CARTER. I decline to yield.

The able gentleman from Kansas, who represents his constituency well, predicted on this floor a few days ago that Kansas would be returned to the Indians if this bill should be enacted into law. The gentleman knows and I know there is no danger of Kansas being returned to the Indians.

Mr. SHORT. The whole country.

Mr. CARTER. It has been suggested here by one facetious gentleman that the Indians are too smart to take Kansas, but I want to deny that charge. I am defending Kansas here this afternoon, even though I come from the great State of California.

Mr. HOPE. Mr. Chairman, will the gentleman yield?

Mr. CARTER. I decline to yield just now.

I am here to defend Kansas and to say there is not a dearth of agricultural ability and there is not a dearth of manufacturing ability in those great Midwestern States. They are going to compete with the rest of us, notwithstanding any law we may enact in this House this afternoon.

Mr. DOWELL. Mr. Chairman, will the gentleman yield?

Mr. CARTER. I decline to yield.

The gentleman from Kansas the other day bemoaned the fact that a reduced transportation rate from the west coast to the Gulf and then up into his region by train and truck might militate against them in some instances. Does not the gentleman realize his products of farm, field, and factory will have the same rates from his region down over those same rails and by truck to the Gulf and then to the Pacific coast by water? The gentleman very well pointed out in that same speech that the population of the Pacific coast has increased 48 percent in the past few years and that of his region has increased only 5 percent. Therefore, a vast population would be opened up to the products of his region by reason of these favorable rates.

Mr. CARLSON. Mr. Chairman, will the gentleman yield?

Mr. CARTER. I yield to the gentleman from Kansas for a brief question.

Mr. CARLSON. I just wanted to make the observation that the gentleman realizes what has happened and we realize what has happened to Kansas in the past. Therefore, I ask, Does the gentleman wish to punish us further?

Mr. CARTER. I have been through the State of Kansas and you are almost as prosperous looking as we are in California.

Mr. SHORT. What an admission.

Mr. CARTER. I believe that with the able representation these States have in the House of Representatives you are going to be able to hold your own at all times.

Mr. ANDRESEN of Minnesota and Mr. LUCKEY of Nebraska rose.

Mr. CARTER. I regret I cannot yield at this time.

The gentleman from Missouri expressed a great deal of solicitude for the railroads. I may say I am one of those who believe the railroads must be prosperous, too. May I also say to the gentleman from Missouri that under the terms of this bill the railroads are getting something they have been asking for for years, in that authority is given the Maritime Commission to regulate the water rates between the coasts.

I want all of you who are solicitous about the welfare of the railroads to remember that.

Mr. HOPE and Mr. SHORT rose.

Mr. CARTER. I regret my time is so limited I cannot yield. If you will get me an additional half hour, I will yield.

In my opinion, no piece of legislation has been before the House since I have been a Member that has been more beneficial to the railroads than that one section of this bill. I recall that the House has passed the Pettengill bill, and that the bill has been reported by a Senate committee and undoubtedly will be enacted into law. Rates can be further regulated under the provisions of that bill where there are any inequalities.

The gentleman from Missouri further stated that the railroads had received no subsidies. He is forgetting history when he says that.

Unless section 30 remains in the bill we are going to continue in the condition in which we find ourselves on the Pacific coast at the present time; that is, we are without service as far as the intercoastal boats are concerned. A number of ships have been in that service and only a few are left, and I believe they are going to discontinue service. They are not discontinuing service because they want to tie up their boats, they are discontinuing it because they simply cannot make a go of it. I believe in all fairness the great Government of the United States should do for those boats that are plying intercoastally the equivalent of what it is doing for ships that are trading with foreign countries. What is the great virtue about trading with a foreign country that a ship engaged in that trade may be given a subsidy and one traveling intercoastally may be denied a subsidy?

Mr. HOPE. Mr. Chairman, will the gentleman yield?

Mr. CARTER. I yield to the gentleman from Kansas for a question.

Mr. HOPE. Is not this the difference, that foreign-going ships must compete with the ships of foreign nations while our intercoastal traffic has no competition?

Mr. CARTER. They have rail competition, of course.

Mr. ANDRESEN of Minnesota and Mr. O'MALLEY rose.

Mr. CARTER. I yield to the gentleman from Minnesota for a brief question.

Mr. ANDRESEN of Minnesota. The gentleman is one of the ablest and most valuable Members of this House and I want to ask him this question: Is it not a fact that two-thirds of the population of California has come from the Middle West and that this demand is coming from them? [Laughter.]

Mr. CARTER. Yes. What the gentleman says is true.

[Here the gavel fell.]

Mr. BLAND. Mr. Chairman, I yield 5 minutes to the gentleman from Missouri [Mr. COCHRAN].

Mr. COCHRAN. Mr. Chairman, I find myself in a very peculiar position today. It so happens that I suggested, in the form of a bill, one title of the measure that is now before you. That is title X, the Federal ship mortgage-insurance feature. If the section that is so much complained of today, section 30, remains in the bill I am going to find myself in the position of being forced to vote against my own bill. My section of the country is too much interested for me to vote for subsidies such as are provided in this measure. [Applause.] This is a good bill without section 30. Why take the chance of beating a good bill by one bad section?

The section I refer to that I am really interested in, aside from defeating the subsidy feature, is title X, the Federal ship mortgage-insurance provision. This is identical with the set-up in the Housing Administration, with the exception that the Government credit is behind 75 percent of the mortgage on the floating property, rather than 80 or 90 percent, as in the case of the Housing Administration.

We have today on our inland waterways and on our harbors, bays, lakes, and sounds 944 passenger vessels. Five hundred and ninety-one of these vessels are over 20 years of age, and probably 250 or 300 of them are over 30 years of age. There is no place where the owner of a passenger ship

can go to borrow money. A bank will not lend him money, the Government has no provision for furnishing him money; in other words, he must use the old ship, and you and your family are required to ride on it. When the vessel is obsolete it is absolutely impossible for him to get another ship, and therefore the line disappears.

What has become of the excursion boats, the old cargo passenger vessels, and the cargo boats that plied on our inland waterways years ago? They have been taken out of commission because they could not longer pass inspection. Let me give you an idea just what the situation is in regard to the passenger vessels plying on rivers, harbors, lakes, bays, and sounds of the United States. I am going to quote some figures obtained for the committee at the time hearings were held on my bill. The figures follow:

Grand total of passenger vessels over 50 gross tons plying on rivers, harbors, bays, and sounds of the United States	944
Wood	413
Steel	531
Total	944
Under 5 years old	52
5 to 10	125
10 to 15	108
15 to 20	68
Over 20 years old	591
Total	944
East coast	484
Midwest rivers	140
Great Lakes	110
Gulf	10
West coast (including Alaska and Hawaii)	200
Total	944
Gross tonnage	740,841

With such knowledge of the condition of passenger-carrying vessels, are we not justified in setting up Federal ship-mortgage insurance that will not take a penny out of the Treasury? It is the credit of the United States that will be back of 75 percent of the cost of the vessel. As the indebtedness is reduced from month to month after the new ship goes into commission, you find the Government always 25 percent ahead of the value of the ship. Every labor organization favors the bill. Even the general counsel of the Association of American Railroads endorsed my bill.

We provide for safety at sea; is it not reasonable to provide for safety of our citizens who travel on ships on our inland waterways?

The only opposition before the committee at the time of the original hearings came from those who have a selfish interest. They have ships or barges in operation and they want to have a monopoly, as they know money cannot be secured from any other source. Owners of passenger vessels from every part of the country pleaded for favorable action so they could replace their obsolete ships. This is sound legislation and should be passed; but, I repeat, if I am compelled to vote for the ship-subsidy feature of the bill in the end in order to get my bill, I cannot cast my vote for the measure.

Now, I want the Members from the Mississippi Valley and those interested in shipping on lakes, sounds, and so forth, as well as the canals on the Gulf, to listen to this statement. The committee has a provision in this measure, which was not in my bill, that the mortgage feature shall not apply to dredges, tugs, towboats, barges, or canal boats, and so forth.

We have spent hundreds of millions of dollars, if not billions of dollars, on our inland waterways and on our harbors. Where are the ships? We have made the rivers, lakes, and harbors navigable, but you can go down the Mississippi River or up the Missouri and it is hard to find a steamboat or a tugboat. You would have to take an airplane and ride for half an hour or an hour before you could locate one on the Missouri. When I was a boy I used to swim in the Mississippi River in front of St. Louis. The police would let us swim in the

river provided we did not go within a block of a barge or a ship. I have walked as far as 3 miles in those days to find a place to swim, but now I would not have to walk 2 blocks. Yet we have spent hundreds of millions of dollars in the improvement of our inland waterways. We have voted money to improve the Mississippi River by providing a 9-foot channel all the way up to St. Paul, and we have spent untold millions on the Ohio. In addition, we have spent \$66,000,000 on the improvement of the Missouri River from its mouth to Kansas City, and yet you can go over that river in an airplane and you will not find a boat unless it is a boat of the Army engineers keeping the 6-foot channel open. This is because you have not provided the money or a way to get the money to put the barges and the tugboats on the rivers. Under the terms of this bill I have referred to, you will not be able to borrow any money for boats we need unless you strike out the language "dredges, tugs, towboats, barges, and canal boats, and so forth." I will offer such an amendment. What good are your intercoastal canals down in Texas if you do not have some canal boats to run on them? I hope my amendment will be adopted. [Applause.]

[Here the gavel fell.]

Mr. CULKIN. Mr. Chairman, I yield 3 minutes to the gentleman from Wisconsin [Mr. WITHROW].

Mr. WITHROW. Mr. Chairman, I thank the gentleman for this time, and I am hopeful of getting more time under the 5-minute rule. There are a great many ramifications to this bill, particularly to section 30. First of all, I call to the attention of the Committee the fact that if we adopt section 30 of this bill, it means that we are granting an operating subsidy, and an operating subsidy is very much different than a construction subsidy. Under a construction subsidy we know just exactly where we are going and how much we are going to invest. Under an operating subsidy you do not have those limitations and you can very well say that a commission or a department has control of these funds, but immediately you start operating these steamship lines under an operating subsidy, you are opening up a rat hole into which you will pour millions and millions of dollars of the taxpayers' money, and you have not any control over it after you once open up that rat hole.

In regard to national defense, you are granting a subsidy to competitors of the railroads, and the railroads are the greatest arm of your national defense. During the World War it was the railroads that had to bear the brunt of carrying and transporting the implements of war and the people of this country, and why? Because during that period these same intercoastal carriers that you at this time are attempting to subsidize, ran away and deserted the intercoastal service and left the intercoastal service flat on its back and went into the traffic of transporting munitions of war, which was a great deal more profitable to them.

Mr. FORD of California. Mr. Chairman, will the gentleman yield?

Mr. WITHROW. I have not the time. That is exactly how patriotic these gentlemen were who come to you today asking for a subsidy.

Mr. FORD of California. Oh, those ships were taken over; they had no option in the matter.

Mr. WITHROW. They were not taken over at the time of which I speak. They deserted before the United States ever got into the war, and they were not taken over. They deserted, and the gentleman knows it.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. BLAND. Mr. Chairman, I yield myself 1 minute. Answering the gentleman from Wisconsin [Mr. WITHROW] we constructed the ships referred to after 1928, and the war ended much before that time.

Mr. WITHROW. Mr. Chairman, will the gentleman yield?

Mr. BLAND. If the gentleman will get the record he will find that that is correct.

Mr. WITHROW. I know the record very well. I am not speaking of those ships at all. I am speaking of the World War. These gentlemen deserted the intercoastal service

after the Panama Canal was opened. They deserted it beginning in 1914, and the gentleman knows it.

Mr. BLAND. The Panama Canal was opened in 1914.

Mr. WITHROW. It was officially opened in 1914, and they went into the service, and they deserted it, and the gentleman knows it.

Mr. BLAND. The Panama Canal was not opened until 1914.

Mr. WITHROW. It was officially opened in 1914, and they were in the trade, and they deserted it.

Mr. BLAND. I deny that.

Mr. CULKIN. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. MAPES].

Mr. MAPES. Mr. Chairman, opposition has been expressed to section 30 of this bill. I am opposed to that section, but I rise to call attention to another section which ought to be stricken from the bill, and that is section 42, on page 30, beginning with line 10. It provides that "section 204 (b) of such act"—that is, of the existing Merchant Marine Act—"is amended by striking out the last sentence thereof."

A few days ago we considered a general reorganization bill in the House. The feeling on that bill was intense. It proposed to give the President authority to change the functions of or to abolish a large majority of the different agencies of the Government. That bill was defeated. The Merchant Marine and Fisheries Committee now comes along and goes one step further. Instead of giving the President additional authority to reorganize the Government, it proposes by this section to take away power which he already has in that respect. What is the language in existing law which the committee proposes to strike out? It is to be found on page 33 of the report. It reads as follows:

After the expiration of 2 years from the effective date of this act, the President is authorized to transfer, by Executive order, to the Interstate Commerce Commission, any or all the regulatory powers, regulatory duties, and regulatory functions, which, by this title, are vested in the United States Maritime Commission.

The proposal to repeal this provision is especially significant to a member of the Committee on Interstate and Foreign Commerce coming up as it does at this particular minute, because the Interstate and Foreign Commerce Committee, or a majority of it, this very day, this forenoon, voted out a bill creating a new commission, a new authority to regulate air commerce of the United States. In doing so it reversed the action it took during the first session of this Congress and went contrary to the recommendations submitted by the President to Congress on two separate occasions.

The passage of this section as reported by the Committee on Merchant Marine and Fisheries will take away from the President the authority which he now has to transfer any of the duties performed by the Maritime Commission to the Interstate Commerce Commission if he sees fit to do so in any attempt to unify the regulation of all kinds of transportation in one governmental agency or commission. It is distinctly a step in the wrong direction.

Mr. O'MALLEY. Mr. Chairman, will the gentleman yield?

Mr. MAPES. I yield.

Mr. O'MALLEY. According to the gentleman's statement, the committee's proposed amendment would remove authority from the President.

Mr. MAPES. Certainly.

Mr. O'MALLEY. Surely the gentleman does not object to that, does he?

Mr. MAPES. I certainly object to it. I think there ought not to be a maritime commission. I think all of these different elements of transportation ought to be regulated by the same body so they could be coordinated. I do not think that a different regulatory body should be set up for every different type of transportation.

Mr. O'MALLEY. I understood the attitude of the gentleman's party was to withdraw all possible authority from the President.

Mr. MAPES. The gentleman's understanding is entirely wrong. That is the trouble with the gentleman; he thinks

that unless a man is wild he cannot be reasonable. [Applause and laughter.]

[Here the gavel fell.]

Mr. CULKIN. Mr. Chairman, I yield 5 minutes to the gentleman from Oregon [Mr. MOTT].

Mr. MOTT. Mr. Chairman, I wish to confine my remarks on this bill to section 30, because I think it is the only section that is controversial. It seems to me also to be the most important of the several provisions of the bill.

Section 30 involves a national question, the question of national defense. Unfortunately in viewing this national question some people seem to have a great deal of difficulty in looking beyond the boundaries of their own districts or States.

I am sure it is not necessary to present any argument in behalf of ship subsidies in general. The Congress has expressed its opinion on that subject time after time and no one, or at least a very few, have contended that we should do away with the policy of ship subsidies in America. Its worth and its necessity have been demonstrated so often that no one any longer questions the soundness of that policy. Admiral Mahan one time said, and his statement has become a classic, that naval strength consists of naval vessels plus merchant vessels; and that is a fact that is accepted now by every nation in the world. Following the Mahan philosophy, every nation in the world has subsidized its merchant marine to an extent far greater than has the United States.

From what I have been able to gather in this debate, the principal objection that has been raised to section 30 is that by subsidizing ships in the intercoastal trade the Middle West would suffer on account of low-cost water transportation. I think this fear is groundless. There are very few, if any, products shipped from the Pacific coast through the Panama Canal and to the eastern seaboard or to the Mississippi States which compete with products manufactured or produced in those States.

We ship from the Pacific Northwest through the Panama Canal a certain amount of lumber of a variety and grade which does not compete with lumber produced either in this eastern section or in the Mississippi Valley. We ship walnuts and filberts and hops and wool and grain from Oregon. They do not compete with any eastern or middle western product in the markets in which they are sold. From California come citrus fruits, wine, and grapes, which, to a very small extent, if any, compete with products raised in the Mississippi Valley and on the Atlantic coast. So, as I said a moment ago, I do not think there is any sound basis for this fear that the low-water rate may offer any injurious competition to the Middle West, the Mississippi Valley, or the Atlantic coast.

Here, now, is the reason, and it is a very simple one, why vessels in intercoastal trade should be subsidized. All of the American vessels engaged in the foreign trade are eligible to a subsidy. The ships engaged in intercoastal trade are not eligible to a subsidy. Under this bill they would be.

Mr. HOPE. Mr. Chairman, will the gentleman yield?

Mr. MOTT. I yield to the gentleman from Kansas.

Mr. HOPE. Does not the gentleman think there is a very sound distinction between subsidizing ships engaged in foreign trade which must compete with ships of the entire world, and subsidizing ships engaged in intercoastal trade where there is no foreign competition?

Mr. MOTT. I do not think so, at least not from the viewpoint of national defense, and I will undertake to explain why I do not think so. If the gentleman will refer to page 12 of the committee's report he will find there a clear statement of just what kind of ships are eligible for a subsidy. Not every ship would be eligible for a subsidy under the provisions of section 30; only those ships which have a distinct military and naval value in time of war would be eligible for a subsidy.

A ship to be eligible for this subsidy must in the first place be one which can make from 16½ to 25 knots an

hour. It must be able to carry troops and supplies in large quantity, and it must be able to service our naval vessels as auxiliaries. Those are the kind of ships, and no others, that would be entitled to subsidies under section 30.

The reason a subsidy is necessary for those intercoastal ships is because they cannot operate profitably without a subsidy, and from the viewpoint of national defense the Government cannot afford to have them cease to operate. A great many of these ships are old and they will soon be replaced. When they are replaced their owners naturally will undertake to build new ships which will come within the category of eligibility for subsidy under section 30 of this bill, and then this merchant fleet will be what will amount to a naval auxiliary fleet. That is the whole purpose of section 30 of the bill.

Of course, aside from the question of national defense, we on the Pacific coast would like to see a prosperous intercoastal trade, but I do not assert that we could defend section 30 on that ground alone. Most certainly, however, it can be defended upon the ground of national defense.

Unless we give ships of this type a subsidy, they will go out of operation altogether. If they go out of operation, we will have nothing immediately at hand in the event of an emergency to service the United States Navy or to transport troops and supplies. For this reason I believe that the consideration of sound economics and a balanced merchant marine, as well as the consideration of national defense, demands that this bill be enacted into law with section 30 included. [Applause.]

[Here the gavel fell.]

Mr. OLIVER. Mr. Chairman, I yield 3 minutes to the gentleman from Michigan [Mr. DONDERO].

Mr. DONDERO. Mr. Chairman, from the debate on the floor this afternoon the main defense for section 30 of the bill is that it will strengthen our national defense. We have considered naval bills in this session of the Congress and at no time did I ever hear any word said that it was necessary to subsidize coastwise vessels in order to strengthen our national defense. That is a new element injected in the national-defense question. I expect to vote to delete section 30 from the bill and will vote for the bill if that section is stricken out.

On the 21st of the present month the boards of trustees of 47 colleges and universities met and expressed grave concern over the question of the value of securities held by those colleges and universities, including railroad bonds, as endowment funds. They are greatly concerned that anything which affects the railroads of this country, as does section 30 included in the pending bill, will seriously affect the properties which keep those colleges and universities open. They are not minor colleges and universities. Included in the list are such institutions as Columbia University, Colgate, Princeton University, the University of Bucknell, and the University of Pennsylvania. Their action was unanimous.

Mr. Chairman, I ask unanimous consent to include in the RECORD at this point the statement made which is very short.

The CHAIRMAN. That request will have to be made in the House.

Mr. CULKIN. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, this discussion has taken an unusual and peculiar turn. It seems that on this bill, according to the minds of some of our eloquent Members, depends the fate of the railroads and the future of the Midwest. May I say that this is truer in a literal sense than some of the gentlemen who have discussed this measure may imagine, because on these perfecting amendments to the Merchant Marine Act of 1936 depends whether or not the American flag is to be kept on the seas and whether or not the American railroads are to continue to carry \$4,000,000,000 worth of freight to the seaboard for export each year and carry away from the seaboard some \$3,000,000,000 or more of imports. So this measure in all its phases is a major aid to the railroads.

It is true that the phase of this measure that was specially stressed as affecting the railroads is section 30, which involves the granting under this act of subsidies to certain intercoastal shipping. To my mind, Mr. Chairman, one of the greatest diplomatic sins that was ever committed against America was the writing of the Hay-Pauncefote treaty, which prescribed the use that America might make of the Panama Canal, which it built, if you please, with its own money. By virtue of that treaty, and we are still bound by it, a barrier is erected at the Panama Canal on intercoastal shipping. You should understand that each of these ships of average tonnage that goes through that canal is obliged to pay into the Treasury approximately \$13,000 and a return trip requires a disbursement out of the treasury of the operating company of an additional \$13,000.

All this bill does, I may say to my solicitous and alarmed friends from the Middle West, is to equalize that diplomatic barrier inadvertently and improperly imposed upon the people of the United States. There is nothing to be alarmed about so far as this subsidy is concerned.

There is nothing taken out of the Treasury by this subsidy. If these ships are removed from this line, they will go into the east coast-South American trade and the tolls will be lost. Under the existing law they will receive \$40,000 per round trip in subsidy, so that its effect upon the Treasury of the United States is in fact negligible. If they continue in the intercoastal service, they pay \$26,000 into the Treasury on each round trip. If section 30 stays in the bill, the Treasury is money ahead.

I am familiar with the layout of this service and have been over it three or four times. This service, which is essential to the well-being of the people living on the west coast, should not be destroyed by reason of the fact the gentlemen from the hinterland have certain mistaken phobias. I know the character of this protest and the high character and genuine ability with which these gentlemen represent their constituents. If I did not know that, I would believe there is back of it some more of that wholly mistaken railroad propaganda on which the railroads in the last 10 years have spent \$180,000,000.

Mr. O'MALLEY. Mr. Chairman, will the gentleman yield?

Mr. CULKIN. I am sorry I cannot yield.

Yesterday I spoke on the floor here, and some of you were perhaps present, and told how water transportation was saving the people of the United States 20 cents a gallon on gasoline, which represents a saving to the people in every single year of our Lord of over \$4,000,000,000. This does not include the savings that are made on other bulk commodities, which run into a very large sum. I said then, and repeat it now, that we should guard our waterways as our most cherished possession.

I do not know of any more serious or more important mission this Congress has than to defend the people against unjust, oppressive, and destructive rates of transportation. May I say, too, that this is not the place to cure the ills of the railroads. You and I know the railroads have in their rate structure today \$10,000,000,000 worth of water. This must be eliminated in some fashion before we get on our feet in reference to that problem. May I say further in that connection that I am willingly and eagerly awaiting the time when we can vote some relief to the railroads, although, as I say, their wounds are self-inflicted and due to the performances of the Jay Goulds and the Jim Fisks of the past. When such a bill to aid the railroads in buying material and rolling stock comes up for consideration I shall be pleased to support it. But this opposition to section 30 of this bill on the ground it hurts the railroads or the interior of this country is simply, solely, and wholly mistaken and absurd.

The service of these few boats is limited. These boats must be of high speed and capable of aiding national defense. This service does not make a visible mark upon the railroads or upon the destinies of the people in the Middle West.

Mr. O'MALLEY. Mr. Chairman, will the gentleman yield?

Mr. CULKIN. I yield briefly to the gentleman from Wisconsin.

Mr. O'MALLEY. In his closing remarks the gentleman from California stated very definitely that this subsidy was to enable these two ship lines to compete with the railroads.

Mr. CULKIN. No; I do not subscribe to that at all.

Mr. O'MALLEY. That was his statement, to compete with the railroads. Was the gentleman correct in that statement?

Mr. CULKIN. No. I have been through these hearings, lasting about 2 months, and I believe I know the picture, perhaps, better than the ordinary observer of this passing scene. The fact is that the head of the central organization of the railroads on the west coast sent a messenger to a banquet where the distinguished former Chairman of the Maritime Commission spoke, and he stated they were not opposing this legislation. They had good reason not to oppose it, for the reason that these ships bring passengers from the west coast who have traveled to the west coast by rail. They bring passengers from the east coast by water who come back by rail. The romance of water transportation enters the picture. The railroads are, in fact, benefited and their receipts increased by reason of the continuation of these lines. All these lines have been wiped out, and they have been wiped out because of the insuperable barrier created by the Panama Canal tolls. This section equalizes that barrier.

Mr. HOPE. Mr. Chairman, will the gentleman yield?

Mr. CULKIN. I yield to the gentleman from Kansas.

Mr. HOPE. The gentleman speaks of the great benefit the railroads get from the one-way haul. Does not the gentleman believe it would help them a great deal more if they got a two-way haul?

Mr. CULKIN. The gentleman knows a good many people are lured to take that trip by reason of the romance of water travel. The gentleman is romantic. He has that feeling in his soul. I know I have and I have made the trip three times. I would have gone but once had it not been for the possibility of that water trip. It fitted into the picture.

Mr. O'MALLEY. Mr. Chairman, will the gentleman yield for one question?

Mr. CULKIN. No. The gentleman has had his chance. Just let me finish.

Mr. O'MALLEY. Just a very slight question?

Mr. CULKIN. No.

The committee has been over this question at length. We have heard all the experts on it. We have heard the naval experts on it, and they say that as an element of national defense the continuation of operation of this type of ship is essential. Assuming one of the locks of the Panama Canal were destroyed, there would be a couple of these ships on the west coast and there would probably be three of them on the east coast. At least, you would have some. They are essential as supply ships to the fleet on both coasts.

I say to you, and I say it advisedly and with full knowledge of the situation as described to the committee, that if this measure is not passed with section 30 in the bill these ships are going to be taken off that line. They are not going to rot at the drydock, as has been suggested here, they are going to operate on the east coast of South America where they will not be available for this sort of service. Congress has voted or authorized, in the past, \$10,000,000,000 for ships for the Navy. A Navy without these service ships, without these attendant ships, is practically innocuous. Its steaming power is limited, and its cruising radius is affected. The naval authorities without exception emphasized that the Navy must have these ships and the ships must have a cruising speed of at least 16½ knots an hour. None of these 265 obsolescent ships that are now remaining has a cruising speed of more than 10 knots an hour.

[Here the gavel fell.]

Mr. CULKIN. Mr. Chairman, I yield myself 2 additional minutes.

Mr. MAGNUSON. Mr. Chairman, will the gentleman yield?

Mr. CULKIN. I yield to the gentleman from Washington.

Mr. MAGNUSON. I wish the gentleman would point out to the House that this would take very little freight away from the railroads. As a matter of fact, I am somewhat opposed to this amendment because it will take freight away from the type of boats that now handle the trade up and down the coast.

Mr. CULKIN. That is the biggest fallacy that was ever uttered on the floor of this House. The encouragement or the development of the merchant marine is an important stimulus to the railroads.

Mr. MAGNUSON. I am trying to point out that the railroads will not be affected at all.

Mr. CULKIN. If the gentleman will read my rather crude discussion of the matter in the Record of yesterday he will see my point. This legislation will, in fact, help the railroads and will not do them any injury. I have already referred to a letter I saw that came from one of the leading railroad organizations of the West coast which said they are not opposing this bill. Mind you, I am speaking on this question purely from a national standpoint. I am from the East coast and this legislation does not touch my district.

Mr. HOPE. Mr. Chairman, will the gentleman yield on that point?

Mr. CULKIN. Yes; briefly.

Mr. HOPE. The gentleman from Washington [Mr. MAGNUSON] says this subsidy will take business away from the small boats. I agree with the gentleman—

Mr. CULKIN. What someone else may say is not binding on me.

Mr. HOPE. And if it does take some business from them, is it not going to be necessary for us to subsidize all inter-coastal shipping and will it not be necessary to put them all on the same basis?

Mr. CULKIN. I may say to the gentleman that the limitations of section 30 as to speed and type of ship absolutely prevents the creation of any great fleet of liners. This group of ships, in my judgment and as I construe this section, after hearing the evidence in the committee, will never exceed six, and it will not, I say, affect the destiny of the gentleman's country. I am as much concerned about that as is the gentleman. It will continue this service and it will be a factor and an aid to national defense. It will help the railroads and will make available a merchant marine in time of need.

Mr. O'MALLEY. Mr. Chairman, will the gentleman yield?

Mr. CULKIN. I am sorry, I cannot yield.

Mr. O'MALLEY. I simply want to say that six ships will be affected.

[Here the gavel fell.]

Mr. BLAND. Mr. Chairman, I yield the remainder of the time to the gentleman from New York [Mr. O'LEARY].

Mr. O'LEARY. Mr. Chairman, at the outset I wish to state that I am in thorough accord with the provisions contained in H. R. 10315, as reported by the Committee on Merchant Marine and Fisheries, of which I have the honor of being a member. This bill, if it passes the Congress, will clarify existing law and in addition thereto grant the Maritime Commission, among other powers which I will discuss later, the discretion to allocate work to the shipyards in the various coastal districts of the United States with the approval of the President.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. O'LEARY. I yield.

Mr. SIROVICH. I want to take this opportunity of commending the distinguished gentleman from New York, as a member of the Merchant Marine Committee, for his indefatigable work in trying to bring about a diffusion of work among all the shipyards of the United States so that every shipyard in the Nation will have its proportionate share of the work. The gentleman has done a fine piece of work and deserves the special commendation of the membership of this House.

Mr. O'LEARY. I thank the gentleman for his observation, and for his expressions of good will.

Under existing law all ship construction work must be awarded to the lowest responsible bidder, with the result that practically all the new construction is concentrated in one section of the United States. Our colleague, Mr. WELCH, of California, the ranking Republican member of the Merchant Marine Committee, has a problem on the Pacific coast, namely, the maintaining of a continuity of service on inter-coastal routes and additional shipbuilding facilities, which, from a national defense aspect, certainly merits consideration. The Eleventh Congressional District of New York, which I have the honor to represent, takes in all of Staten Island and the southerly part of Manhattan Island, which district, in its entirety, is within the city of New York. Shipbuilding in the Staten Island sector of my district is the principal industry, and yet, notwithstanding the vast amount of ship construction going on at present, and the contemplated program partially under way, the shipyards of my district have not built a merchant ship since the World War. The reason for this is mainly due to location. The higher cost of living in the city of New York compels industry to pay a higher wage rate than any other place along the Atlantic seacoast. The chairman of our committee appointed a subcommittee, of which I was made chairman, to work out a solution to these problems. The subcommittee made the recommendation, which is now section 13 of the bill:

If at any time the Commission shall find that the existing shipyards, including the navy yards, do not provide adequate facilities to meet necessary requirements for purposes of national defense and national emergency, with special regard to providing facilities for the national defense, at strategic points, the Commission, after taking into consideration the conditions of unemployment and the needs and reasonable requirements of all shipyards, may, with the approval of the President, allocate construction work under this title and under title 7, to such yards, in such manner, as it may determine to be fair, just, and reasonable to all sections of the country, subject to the provisions of this subsection.

In the allocation of construction work to such yards as herein provided, the Commission may, after first obtaining competitive bids for such work in compliance with the provisions of this act, negotiate with the bidders and with other shipbuilders concerning the terms and conditions of any contract for such work, and is authorized to enter into such contract at a price deemed by the Commission to be fair and reasonable.

Any contract entered into by the Commission under the provisions of this subsection shall be subject to all of the terms and conditions of this act, excepting those pertaining to the awarding of contracts to the lowest bidder which are inconsistent with the provisions of this subsection. In the event that a contract is made providing for a price in excess of the lowest responsible bid, which otherwise would be accepted, such excess shall be paid by the Commission as a part of the cost of national defense, and shall not be considered as part of the construction-differential subsidy. In the event that a contract is made providing for a price lower than the lowest responsible bid, which otherwise would be accepted, the construction-differential subsidy shall be computed on the contract price in lieu of such bid.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield there?

Mr. O'LEARY. I yield to the gentleman.

Mr. SIROVICH. I think the membership of the House ought to understand that while the gentleman from New York [Mr. O'LEARY] represents the greatest maritime section of New York, with harbors and shipyards from which come the greatest ships in the world, he has never faltered or wavered in his devotion to the cause of labor and that he has been one of the ablest workers in behalf of the laboring men to see that they get decent wages and proper hours in connection with the passage of this merchant marine bill.

Mr. O'LEARY. Mr. Chairman, the chairman of our committee appointed a subcommittee, of which I was made chairman, to work out a solution of these problems. The subcommittee made the recommendation which is now section 13 of the bill.

Mr. BLAND. Mr. Chairman, will the gentleman yield?

Mr. O'LEARY. Yes.

Mr. BLAND. Mr. Chairman, I do not want to take the gentleman's time, but I make this interruption to assure the members of the Committee of the Whole that no man on the committee has given more indefatigable study to these

questions than has the gentleman from New York [Mr. O'LEARY], and no one is better posted on this subject.

Mr. O'LEARY. Mr. Chairman, it will be noted in this language that it gives the Maritime Commission the right to trade with the shipbuilders after receiving bids and in my opinion will save the Government money. Let me illustrate by telling you what happened when the contracts were awarded by the Standard Oil Co. of New Jersey for 12 tankers on January 7, 1938.

The bid of the Sun Shipbuilding Co. was \$3,129,667 each.

The bid of the Federal Shipbuilding Co. was \$3,195,000 each.

The bid of the Bethlehem Shipbuilding Co. was \$3,235,000 each.

The bid of the Newport News Shipbuilding Co. was \$3,351,600 each.

The Government is interested in the national-defense features of these tankers. The various shipbuilders were informed that if they would meet the figures of the Sun Shipbuilding Co. they would receive an award of three tankers each. What was the result? They lowered their bids, received the awards and the work was spread out over the four yards. I venture to predict that if the Maritime Commission had the power as authorized in this bill, when they received the bids on the C-2 type cargo ships, on February 1 of this year, contracts could have been traded out which would have resulted in the saving of a vast amount of money to the Government. The bids on those 12 ships ranged from \$1,800,000 to \$3,400,000 each.

Now there is another angle to the diffusion of work in shipyards; the workers are highly trained specialists and, unless they can find work in their own line they will be forced to pursue other lines of endeavor, if and when they can secure a job. The problem will then be to find trained shipyard workers in the various coastal districts.

A contract entered into with the Maritime Commission by other than the lowest responsible bidder must receive the approval of the President. In these days of misery and distress, with an unemployment problem costing the Government billions of dollars, with some of the made work of questionable value, I am wondering if it would not be better, in the event that some contracts were awarded to others than the lowest responsible bidders, to charge the differential as an offset against W. P. A. expenditures. We need the ships and need them badly and it seems to me that the logical thing to do, with regard to our expenditures, is to try and create a tangible asset, with the hope of liquidating in the future. Shipyards in strategic locations are just as essential as ships in time of national emergency.

The second recommendation made by the subcommittee amends title 6 of the Merchant Marine Act of 1936. In substance this section gives the Maritime Commission the power to grant subsidies to certain type vessels in the intercoastal trade and sets forth the terms and conditions under which the subsidies shall be paid. The need of this service has been demonstrated, and without a subsidy the operators cannot hope to survive. The good will established by these lines in their ports of call in the Central American republics cannot be measured in dollars and cents. In the event of war these vessels are easily converted into naval auxiliaries, and frankly, in a service of this kind, we at least can be assured that all of these ships will be available and not interned as some might be that are engaged in foreign commerce. It is my opinion that these ships are necessary as naval auxiliaries, and from the national-defense aspect it is far more preferable to have them in this service than in any other established trade route.

The next section I wish to discuss is title X of the bill, which is known as "Federal ship mortgage insurance."

It has been my happy privilege to introduce and sponsor this amendment. If passed, it will, in my opinion, create a tremendous impetus in shipbuilding activity in all seaboard, lake, and river communities in the United States. It is the answer to the prayers of this type of operator, for relief in

the financing of construction and reconditioning of floating equipment for commercial purposes. In reality it parallels the National Housing Act in its operation, excepting that under this bill the coverage is 75 percent of cost, whereas the National Housing Act insures from 80 to 90 percent of the cost. Opposition arose during the hearings to the inclusion of scows, lighters, dredges, tugs, towboats, showboats, barges, canal boats, and car floats as a type to qualify for insurance under the terms of this section. The objections were made by operators in the trade, who based their opposition on the fact that there was a surplus of this type of equipment, and the relief was unnecessary. The committee therefore excluded this type of equipment.

The method to be used under this bill will be to create an insurance fund within the Maritime Commission for the purpose of insuring mortgages made between responsible mortgagees and mortgagors on eligible floating equipment for a period not to exceed 20 years, with amortization clauses satisfactory to the Commission. The amount of all mortgages outstanding at any one time shall not exceed \$200,000,000. The principal amount of any mortgage shall not exceed 75 percent of the cost of the floating equipment, as determined by the Maritime Commission, and shall have an interest rate not to exceed 5 percent per annum on the principal outstanding at any time, and not to exceed 6 percent per annum if the Maritime Commission finds, under special circumstances, the mortgage market demands it.

Mr. CULKIN. Mr. Chairman, will the gentleman yield?

Mr. O'LEARY. Yes.

Mr. CULKIN. Does not the gentleman believe that if we permit our merchant marine to die we will, in fact, lose a large part of our present export trade?

Mr. O'LEARY. I am in thorough accord with the gentleman.

Mr. CULKIN. The gentleman is a technician on this question. He has been most diligent in his attendance at the committee hearings and knows the subject, and I am glad to get his expert determination on that subject.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. O'LEARY. I have not the time. It would take me hours to explain all I have to say on this subject.

The insurance premium charges shall be not less than one-half of 1 percent on the principal outstanding at any time and not more than 1 percent. Witnesses who appeared before the Merchant Marine Committee testified that at the present time they find it impossible to negotiate long-term private financing, and in short-term private financing, where extensions are requested, a confiscatory bonus is demanded. Consequently this condition retards the rebuilding and replacement of obsolete vessels.

As a result of the investigations of the *Morro Castle* and *Mohawk* disasters, the Bureau of Marine Inspection and Navigation, with the approval of the Secretary of Commerce, issued the fifty-second supplement to the rules and regulations as prescribed by the Board of Supervising Inspectors. This embodied many new provisions and restrictions, with the view of increasing safety of life at sea. As a result of the enforcement of the fifty-second supplement, the Bureau caused some 61 vessels to be withdrawn from passenger service, and it has not been possible for the owners of these vessels to replace any of them to date.

The total loss of the steamer *City of Baltimore* in service on an overnight passenger run on the Chesapeake Bay would have been a major catastrophe had it occurred 2 hours later when her position would have been in the exposed waters of the bay. Her general condition may be considered to have been as good as, or superior to, many other vessels in similar runs. This recent loss once again brings forcibly before us the condition of our merchant marine plying on lakes, bays, sounds, and other inland waters, as well as our coastwise routes. The same applies to the recent loss of the *City of Buffalo* on the Great Lakes.

Further evidence of the obsolescence of our vessels is contained in the economic survey of the American merchant

marine, published by the United States Maritime Commission on November 10, 1937. According to the figures contained in this report, the seagoing vessels engaged in our domestic trade were 94.7 percent obsolete on May 31, 1937. It further stated that "only two small cargo vessels are under construction at the present time for the domestic trade."

Quoting further from the American merchant marine:

The following is a brief summary of the condition of our fleet: Grand total of passenger vessels over 50 gross tons plying on rivers, harbors, bays, and sounds of the United States. 944

Wood	413
Steel	531
Total	944
Under 5 years old	52
5 to 10	125
10 to 15	108
15 to 20	68
Over 20	591
Total	944
East coast	484
Midwest rivers	140
Great Lakes	110
Gulf	10
West coast (including Alaska and Hawaii)	200
Total	944
Gross tonnage	740,841

All of the foregoing indicates that the vessels of the industry are to a large extent so old that the industry is not on a modernized basis. It is a fact that old vessels are not efficient and not attractive to the traveling public. They lack toilet facilities, bathrooms, and the restaurant or hotel features are almost universally unsatisfactory.

Vessels of wood construction cannot be made fireproof, therefore, such vessels must be replaced with steel hulls and fireproof superstructures.

It is a certainty that vessels over 20 years of age are obsolete from all standpoints and that only in exceptional cases can vessels of this age be reconstructed to secure a satisfactory result. The majority of these vessels should be scrapped and replaced with new construction.

It must be assumed that at least 70 percent of the vessels between 10 and 20 years of age are unfit for reconstruction. These will probably have to be replaced with new tonnage, properly designed.

Many of the ferries and excursion boats throughout our country are old vessels and are of inflammable construction. The replacing of these vessels with modern equipment would greatly increase net operating revenue.

New rules and regulations which have just been promulgated by the Board of Supervising Inspectors will require almost complete rebuilding of this class of vessel to secure proper buoyancy and eliminate fire risks. It is feared that only a few of the operators have sufficient resources to do this work; and if these rules are enforced, as they should be, we are facing a rather serious curtailment of this class of facility.

Referring again to excursion steamers, which are almost universally of the type which would sink rapidly in the event of collision and would likewise burn with great rapidity in the event the fire got beyond control, it is felt that sooner or later we may look for a recurrence of the *Slocum* disaster, in which there were 800 lives lost.

Particular attention is drawn to the fact that this accident occurred in or near Hell Gate, N. Y., where the density of traffic is heavy and where it is possible to concentrate fireboats, tugs, and other craft for the assistance of stricken vessels. Had this accident occurred in a more remote location, it is probable the loss of life would have been terrific. Many of these vessels are permitted to carry over 3,000 passengers.

The facilities for handling this work are already available in the Maritime Commission. The proposed premium of

one-half of 1 percent and not more than 1 percent per year on the face value of the mortgage would immediately build up a fund so that this activity would result in no cost to the United States Government.

All of this is in line with the President's philosophy of inducing private capital to become interested in financing all types of projects, particularly those in which they have shown a reluctance in recent years. Further, this type of Government support would not in any way interfere with the administration's desire to reach a balanced Budget at an early date.

The replacement of the obsolete tonnage in the domestic trade indicated in the studies of the Maritime Commission and the Bureau of Marine Inspection and Navigation is absolutely necessary from a national-defense standpoint. Practically every seaworthy vessel in the coastal, intercoastal, and inland business was utilized by the Government in the World War. River, lake, and bay steamers were used as ferries, channel transports, mine planters, and for other military purposes, and larger seagoing vessels became over-sea supply and troop ships. By the passage of this proposal a great reserve for the national defense will be created which will be available to the Government to draw in case of emergency and at no cost whatsoever to the taxpayer.

Favorable action on the part of Congress on this proposed amendment will initiate a large shipbuilding program, conservatively estimated to exceed \$300,000,000 in value. The effect will be felt in all sections of the country in many industries. The construction work itself will be done wherever there are navigable waters, from the small inland yards to the large plants on coastal waters.

The additional ships to be built for the domestic trade will train a new personnel which will be available to man the ocean-going vessels in foreign trade in time of peace and to build up the Naval Reserve, which is now badly in need of trained unlicensed personnel.

Materials for ship construction are drawn from practically every State in the Union and are supplied by nearly all of the large industries. The increased business in the shipbuilding industry will reduce unemployment in this and many other fields. It will help to relieve the serious economic conditions that exist in many areas and will be generally stimulating to all business throughout the country.

This proposal has the endorsement of the American Federation of Labor and the Committee for Industrial Organization. Mr. W. A. Calvin, secretary-treasurer of the Metal Trades Division, representing the American Federation of Labor, and Mr. Ralph Emerson, representing the Maritime Federation of the Committee for Industrial Organization—each of these representatives of labor, in stating their approval, particularly stressed and many other witnesses before the Merchant Marine Committee said, in substance:

First. That it would greatly reduce unemployment.

Second. That it would increase safety of life at sea.

Third. That it would be of great benefit from a national-defense standpoint.

Therefore, it seems eminently justifiable to give this method of ship financing a thorough trial. It may well be that a stimulus will be given to the investment of private capital in projects of this kind and would soon reduce the Government's participation to a minimum.

It is my belief, which is shared by many and endorsed by numerous experts, that the taxpayer will get the greatest value in modern vessel construction, and, if you please, in national defense, per dollar of his money by this method than by any and all of the methods provided in the Merchant Marine Act of 1936 and the proposed amendments. [Applause.]

The Clerk read as follows:

Be it enacted, etc., That this act may be cited as the "Merchant Marine Act, 1938."

SEC. 2. Section 202 of the Merchant Marine Act, 1936, is amended by adding a new sentence at the end thereof to read as follows: "The Commission may, upon such terms and conditions as it may prescribe in accordance with sound business practice, make such extensions and accept such renewals of the notes and other evi-

dences of indebtedness hereby transferred, and of the mortgages and other contracts securing the same, as it may deem necessary to carry out the objects of this act."

Sec. 3. Section 207 of the Merchant Marine Act, 1936, is amended to read as follows:

"Sec. 207. The Commission may enter into such contracts, upon behalf of the United States, and may make such disbursements as may, in its discretion, be necessary to carry on the activities authorized by this act, or to protect, preserve, or improve the collateral held by the Commission to secure indebtedness, in the same manner that a private corporation may contract within the scope of the authority conferred by its charter. All the Commission's financial transactions shall be audited in the General Accounting Office according to approved commercial practice as provided in the act of March 20, 1922 (42 Stat. 444): *Provided*, That it shall be recognized that, because of the business activities authorized by this act, the accounting officers shall allow credit for all expenditures shown to be necessary because of the nature of such authorized activities, notwithstanding any existing statutory provision to the contrary. The Comptroller General shall report annually or oftener to Congress any departure by the Commission from the provisions of this act."

Sec. 4. Section 214 (a) of such act is amended to read as follows:

"Sec. 214. (a) For the purpose of any investigation which, in the opinion of the Commission, is necessary and proper in carrying out the provisions of this act, any member of the Commission, or any officer or employee thereof designated by it, is empowered to subpoena witnesses, administer oaths and affirmations, take evidence, and require the production of any books, papers, or other documents which are relevant or material to the matter under investigation. Such attendance of witnesses and the production of such books, papers, or other documents may be required from any place in the United States or any Territory, district, or possession thereof at any designated place of hearing. Witnesses summoned before the Commission shall be paid the same fees and mileage that are paid witnesses in the courts of the United States."

Sec. 5. Section 301 (a) of such act is amended to read as follows:

"Sec. 301. (a) The Commission is authorized and directed to investigate the employment and wage conditions in ocean-going shipping and, after making such investigation and after appropriate hearings, to incorporate in the contracts authorized under titles VI and VII of this act minimum manning scales and minimum wage scales, and reasonable working conditions for all officers and crews employed on all types of vessels receiving an operating-differential subsidy. After such minimum manning and wage scales, and working conditions shall have been adopted by the Commission, no change shall be made therein by the Commission except upon public notice of the hearing to be had, and a hearing by the Commission of all interested parties, under such rules as the Commission shall prescribe. The duly elected representatives of the organizations certified as the proper collective bargaining agencies shall have the right to represent the employees who are members of their organizations at any such hearings. Every contractor receiving an operating-differential subsidy shall post and keep posted in a conspicuous place on each such vessel operated by such contractor a printed copy of the minimum manning and wage scales, and working conditions prescribed by his contract and applicable to such vessel: *Provided, however*, That any increase in the operating expenses of the subsidized vessel occasioned by any change in the wage or manning scales or working conditions as provided in this section shall be added to the operating-differential subsidy previously authorized for the vessel."

Sec. 6. Section 301 (b) of such act is amended to read as follows:

"(b) Every contract executed under authority of titles VI and VII of this act shall require—

"(1) Insofar as is practicable, officers' living quarters shall be kept separate and apart from those furnished for members of the crew;

"(2) Licensed officers and unlicensed members of the crew shall be entitled to make complaints or recommendations to the Commission, providing they file such complaint or recommendation directly with the Commission, or with their immediate superior officer who shall be required to forward such complaint or recommendation with his remarks to the Commission, or with the authorized representatives of the respective collective bargaining agencies;

"(3) Licensed officers who are members of the United States Naval Reserve may wear on their uniforms such special distinguishing insignia as may be approved by the Secretary of the Navy; officers being those men serving under licenses issued by the Bureau of Marine Inspection and Navigation;

"(4) The uniform stripes, decoration, or other insignia shall be of gold braid or woven gold or silver material, to be worn by officers, and no member of the ship's crew other than licensed officers shall be allowed to wear any uniform with such officer's identifying insignia;

"(5) No discrimination shall be practiced against licensed officers, who are otherwise qualified, because of their failure to qualify as members of the United States Naval Reserve."

Sec. 7. Section 402 (b) and section 402 (c) of such act are amended by striking out the quotation marks.

Sec. 8. Section 501 (c) of such act is amended by striking out the term "section 201 (c)" and inserting in lieu thereof the term "section 204 (b)".

Sec. 9. The second sentence of section 502 (a) of such act is amended by striking out the words "the cost of the vessel" and

inserting in lieu thereof the words "of the contract price of the vessel".

Sec. 10. Section 502 (b) of such act is amended to read as follows:

"(b) The amount of the reduction in selling price which is herein termed the 'construction-differential subsidy' may equal, but not exceed, the excess of the bid of the shipbuilder constructing the proposed vessel (excluding the cost of any features incorporated in the vessel for national-defense uses, which shall be paid by the Commission in addition to the subsidy), over the fair and reasonable estimate of cost, as determined by the Commission, of the construction of the proposed vessel if it were constructed under similar plans and specifications (excluding national-defense features as above provided) in a principal foreign shipbuilding center which may reasonably be availed of by the principal foreign competitors in the service in which the vessel is to be operated, and which is deemed by the Commission to furnish a fair and representative example for the determination of the estimated cost of construction in foreign countries of vessels of the type proposed to be constructed. The construction differential approved by the Commission shall not exceed 33 1/3 percent of the construction cost of the vessel paid by the Commission (excluding the cost of national-defense features as above provided), except that in cases where the Commission possesses convincing evidence that the actual differential is greater than that percentage, the Commission may approve an allowance not to exceed 50 percent of such cost, upon the affirmative vote of four members, except as otherwise provided in subsection 201 (a)."

Sec. 11. Section 502 (c) of such act is amended to read as follows:

"(c) In such contract between the applicant and the Commission, the applicant shall be required to make cash payments to the Commission of not less than 25 percent of the price at which the vessel is sold to the applicant. The cash payments shall be made at the time and in the same proportion as provided for the payments on account of the construction cost in the contract between the shipbuilder and the Commission. The applicant shall pay, not less frequently than annually, interest at the rate of 3 1/2 percent per annum on those portions of the Commission's payments as made to the shipbuilder which are chargeable to the applicant's purchase price of the vessel (after deduction of the applicant's cash payments). The balance of such purchase price shall be paid by the applicant, within 20 years after delivery of the vessel and in not to exceed 20 equal annual installments, the first of which shall be payable 1 year after the delivery of the vessel by the Commission to the applicant. Interest at the rate of 3 1/2 percent per annum shall be paid on all such installments of the purchase price remaining unpaid."

Sec. 12. Section 502 (d) of such act is amended (a) by striking out "construction subsidy" and inserting in lieu thereof "construction-differential subsidy," and (b) by adding at the end thereof a new sentence to read as follows: "Nothing in this section shall be construed as authorizing the Commission to approve a construction-differential in excess of 50 percent of the construction cost of the vessel paid by the Commission."

Sec. 13. Section 502 of such act is amended by adding a new subsection at the end thereof to read as follows:

"(f) If at any time the Commission shall find that the existing shipyards, including the navy yards, do not provide adequate facilities to meet necessary requirements for purposes of national defense and national emergency, with special regard to providing facilities for the national defense at strategic points, the Commission, after taking into consideration the conditions of unemployment and the needs and reasonable requirements of all shipyards, may, with the approval of the President, allocate construction work under this title and under title VII to such yards in such manner as it may determine to be fair, just, and reasonable to all sections of the country, subject to the provisions of this subsection. In the allocation of construction work to such yards as herein provided, the Commission may, after first obtaining competitive bids for such work in compliance with the provisions of this act, negotiate with the bidders and with other shipbuilders concerning the terms and conditions of any contract for such work, and is authorized to enter into such contract at a price deemed by the Commission to be fair and reasonable. Any contract entered into by the Commission under the provisions of this subsection shall be subject to all of the terms and conditions of this act, excepting those pertaining to the awarding of contracts to the lowest bidder which are inconsistent with the provisions of this subsection. In the event that a contract is made providing for a price in excess of the lowest responsible bid which otherwise would be accepted, such excess shall be paid by the Commission as a part of the cost of national defense, and shall not be considered as a part of the construction-differential subsidy. In the event that a contract is made providing for a price lower than the lowest responsible bid which otherwise would be accepted, the construction-differential subsidy shall be computed on the contract price in lieu of such bid."

Sec. 14. Section 503 of such act is amended to read as follows:

"Sec. 503. Upon completion of the construction of any vessel in respect to which a construction-differential subsidy is to be allowed under this title and its delivery by the shipbuilder to the Commission, the vessel shall be documented under the laws of the United States, and concurrently therewith, or as soon thereafter as practicable, the vessel shall be delivered with a bill of sale to the applicant with warranty against liens, pursuant to the contract of purchase between the applicant and the Commission.

The vessel shall remain documented under the laws of the United States for not less than 20 years, or so long as there remains due the United States any principal or interest on account of the purchase price, whichever is the longer period. At the time of delivery of the vessel the applicant shall execute and deliver a first preferred mortgage to the United States to secure payment of any sums due from the applicant in respect to said vessel. The purchaser shall also comply with all the provisions of section 9 of the Merchant Marine Act, 1920."

Sec. 15. Section 504 of such act is amended to read as follows: "Sec. 504. Where an eligible applicant under the terms of this title desires to finance the construction of a proposed vessel according to approved plans and specifications rather than purchase the same vessel from the Commission as hereinabove authorized, the Commission may permit the applicant to obtain and submit to it competitive bids from domestic shipyards for such work. If the Commission considers the bid of the shipyard in which the applicant desires to have the vessel built fair and reasonable, it may approve such bid and become a party to the contract or contracts or other arrangements for the construction of such proposed vessel and may agree to pay a construction-differential subsidy in an amount determined by the Commission in accordance with section 502 of this title, and for the cost of national-defense features. The construction-differential subsidy and payments for national-defense features shall be based on the lowest responsible domestic bid. No construction-differential subsidy, as provided in this section, shall be paid unless the said contract or contracts or other arrangements contain such provisions as are provided in this title to protect the interests of the United States as the Commission deems necessary. Such vessel shall be documented under the laws of the United States as provided in section 503 of this title and operated as approved by the Commission under the requirements applicable to vessels constructed under this act."

Sec. 16. The last proviso in section 505 (b) of such act is amended to read as follows: "Provided, That this section shall not apply to contracts or subcontracts for scientific equipment used for communication and navigation as may be so designated by the Commission, nor to contracts or other arrangements entered into under this title by the terms of which the United States undertakes to pay only for national-defense features, and the Commission shall report annually to Congress the names of such contractors and subcontractors affected by this provision, together with the applicable contracts and the amounts thereof."

Sec. 17. Section 506 of such act is amended to read as follows: "Sec. 506. Every owner of a vessel for which a construction-differential subsidy has been paid shall agree that the vessel shall be operated exclusively in foreign trade, or on a round-the-world voyage, or on a round voyage from the west coast of the United States to a European port or ports which includes intercoastal ports of the United States, or a round voyage from the Atlantic coast of the United States to the Orient which includes intercoastal ports of the United States, or on a voyage in foreign trade on which the vessel may stop at an island possession or island territory of the United States, and that if the vessel is operated in the domestic trade on any of the above-enumerated services, he will pay annually to the Commission that proportion of one-twentieth of the construction-differential subsidy paid for such vessel as the gross revenue derived from the domestic trade bears to the gross revenue derived from the entire voyages completed during the preceding year. The Commission may consent in writing to the temporary transfer of such vessel to service other than the service covered by such agreement for periods not exceeding 6 months in any year, whenever the Commission may determine that such transfer is necessary or appropriate to carry out the purposes of this act. Such consent shall be conditioned upon the agreement by the owner to pay to the Commission, upon such terms and conditions as it may prescribe, an amount which bears the same proportion to the construction-differential subsidy paid by the Commission as such temporary period bears to the entire economic life of the vessel. No operating-differential subsidy shall be paid for the operation of such vessel for such temporary period."

Sec. 18. Section 507 of such act is amended to read as follows:

"Sec. 507. If a contract is made by the Commission under authority of this title for the construction and sale of a new vessel to replace a vessel then operated in foreign trade which in the judgment of the Commission should be replaced because it is obsolete or inadequate for successful operation in such trade, the Commission is authorized, in its discretion, to buy such replaced vessel from the owner at a fair and reasonable valuation, which valuation shall not exceed the cost to the owner or any former owner plus the actual cost previously expended thereon for recon-ditioning, and less a reasonable and proper depreciation, based upon not more than a 20-year life of the vessel, and apply the purchase price agreed upon to that portion of the construction cost of such new vessel which is to be borne by the purchaser thereof: *Provided*, That the owner of such replaced vessel shall execute a bond, with one or more approved sureties, conditioned upon indemnifying the United States from all loss resulting from any existing lien against such vessel: *And provided further*, That such vessel has been documented under the laws of the United States for a period of at least 10 years prior to the date of its purchase by the United States."

Sec. 19. The first sentence of section 509 of such act and so much of the second sentence thereof as precedes the first semicolon therein are amended to read as follows: "Any citizen of the United States may make application to the Commission for aid in the construction of a new vessel to be operated in the foreign or domestic trade (excepting vessels engaged solely in the transportation of property on inland rivers and canals exclusively). If such application is approved by the Commission, the vessel may be constructed under the terms and conditions of this title, but no construction-differential subsidy shall be allowed except as otherwise provided in this title. The Commission shall pay for the cost of national-defense features incorporated in such vessel. The applicant shall be required to pay the Commission not less than 25 percent of the cost of such vessel (excluding cost of national-defense features)."

Sec. 20. Section 604 of such act is amended to read as follows: "Sec. 604. If in the case of any particular foreign-trade route the Commission finds after consultation with the Secretary of State that the subsidy provided for in this title is in any respect inadequate to offset the effect of governmental aid paid to foreign competitors, it may grant such additional subsidy as it determines to be necessary for that purpose: *Provided*, That no such additional subsidy shall be granted except upon an affirmative vote of four of the members of the Commission."

Sec. 21. Section 606 (5) of such act is amended to read as follows:

"(5) That when at the end of any 10-year period during which an operating-differential subsidy has been paid, or when prior to the end of any such 10-year period the contract shall be terminated, if the net profit of the contractor on his subsidized vessels and services incident thereto during such period or time (without regard to capital gains and capital losses), after deduction of depreciation charges based upon a 20-year life expectancy of the subsidized vessels, has averaged more than 10 percent per annum upon the contractor's capital investment necessarily employed in the operation of the subsidized vessels, services, routes, and lines, the contractor shall pay to the United States an amount equal to one-half of such profits in excess of 10 percent per annum as partial or complete reimbursement for operating-differential-subsidy payments received by the contractor for such 10-year period, but the amount of excessive profit so recaptured shall not in any case exceed the amount of the operating-differential-subsidy payments theretofore made to the contractor for such period under such contract and the repayment of such reimbursement to the Commission shall be subject to the provisions of section 607."

Sec. 22. The last sentence of the first paragraph of section 607 (b) of such act is amended to read as follows: "The proceeds of all insurance and indemnities received by the contractor on account of total loss of any subsidized vessel and the proceeds of any sale or other disposition of such vessel shall also be deposited in the capital reserve fund."

Sec. 23. Section 607 (b) of such act is amended by adding at the end thereof a new sentence to read as follows: "The contractor may, with the consent of the Commission, pay from said fund any sums owing but not yet due on notes secured by mortgages on subsidized vessels."

Sec. 24. The second paragraph of section 607 (c) of such act is amended to read as follows:

"If the profits, without regard to capital gains and capital losses, earned by the business of the subsidized vessels and services incident thereto exceed 10 percent per annum and exceed the percentage of profits deposited in the capital-reserve fund, as provided in subsection (b) of this section, the contractor shall deposit annually such excess profits in this reserve fund. From the special reserve fund the contractor may make the following disbursements and no others."

Sec. 25. Section 607 (c) (2) of such act is amended to read as follows:

"(2) Reimbursement to the contractor's general funds for current operating losses on completed voyages of subsidized vessels whenever the Commission shall determine it is improbable that such current losses will be made up by profits on other voyages during the current year."

Sec. 26. Section 607 of such act is amended by inserting two new subsections after subsection (e) to read as follows:

"(f) Unless otherwise provided in the operating-differential subsidy contract, upon the termination of any such contract, the reserve funds required under this act shall be the property of the contractor, except for such amounts as may be due the United States."

"(g) With the approval of the Commission, the contractor may voluntarily increase the amount of either or both reserve funds by depositing in such fund or funds any or all of the earnings otherwise available for distribution to stockholders, or may transfer funds from the special reserve funds to the capital reserve fund."

Sec. 27. Section 607 (f) of such act is amended to read as follows:

"(h) The earnings of any contractor receiving an operating-differential subsidy under authority of this act, which are deposited in the contractor's reserve funds as provided in this section, except earnings withdrawn from the special reserve funds and paid into the contractor's general funds or distributed as dividends or bonuses as provided in paragraph 4 of subsection (c) of this section, shall be exempt from all Federal taxes. Earnings

withdrawn from such special reserve fund shall be taxable as if earned during the year of withdrawal from such fund."

Sec. 28. Section 609 (b) of such act is hereby repealed. Section 609 (a) of such act is amended by striking out "(a)."

Sec. 29. Title VI of such act is amended by adding at the end thereof a new section to read as follows:

"Sec. 611. (a) The contractor, upon compliance with the provisions of this section, may transfer to foreign registry the vessels covered by any operating-differential subsidy contract held by him, in the event that the United States defaults upon such contract or cancels it without just cause. Any contractor desiring to transfer any such vessel to foreign registry upon such default or cancellation shall file an application in writing with the Commission setting forth its contentions with respect to the lack of just cause or lawful grounds for such default or cancellation. The Commission shall afford the contractor an opportunity for a hearing within 20 days after such contractor files written application therefor, and after the testimony, if any, in such hearing has been reduced to writing and filed with the Commission, it shall, within a reasonable time, grant or deny the application by order.

"(b) If any such application is denied, the contractor may obtain a review of the order of denial in the United States Court of Appeals for the District of Columbia, by filing in such court, within 20 days after the entry of such order, a written petition praying that the order of the Commission be set aside. A copy of such petition shall be forthwith served upon any member of the Commission, or upon any officer thereof designated by the Commission for that purpose, and thereupon the Commission shall certify and file in the court a transcript of the record upon which the order complained of was entered. Upon the filing of such transcript such court shall have exclusive jurisdiction to determine whether such cancellation or default was without just cause, and to affirm or set aside such order. The judgment and decree of the court affirming or setting aside any such order of the Commission shall be final.

"(c) No transfer of vessels to foreign registry under this section shall become effective until any indebtedness to the Government or to any citizen of the United States, secured by such vessels, has been paid or discharged, and until after the expiration of 90 days from the date of final determination of the application or the appeal, if any. Within such 90-day period the Commission may (1) with the consent of the contractor purchase the vessels at cost to the contractor plus cost of capital improvements thereon, less 5 percent annual depreciation upon such vessel, and the actual depreciated costs of capital improvements thereon, or (2) reinstate the contract and adjust or settle the default found by the Commission or the court to exist."

Mr. O'MALLEY (interrupting the reading of the bill). Mr. Chairman, I ask unanimous consent to dispense with the reading of the bill up to section 30.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

The Clerk read as follows:

Sec. 30. Title VI, as amended, of such act is further amended by adding a new section at the end thereof to read as follows:

"Sec. 612. (a) The term 'intercoastal commerce of the United States' for the purposes of this section shall mean commerce upon the high seas on regular routes from port to port between one State of the United States and any other State of the United States (including the Territory of Hawaii) by way of the Panama Canal.

"(b) The Commission is authorized and directed to consider the application of any citizen of the United States for financial aid in the operation of a vessel or vessels which are to be used in an essential service, route, or line in the intercoastal commerce of the United States and suitable for economical and speedy conversion into a naval or military auxiliary, or otherwise suitable for the use of the United States in time of war or national emergency. If the Commission approves the application, it may enter into a contract with the applicant for the payment of an operating subsidy determined in accordance with the provisions of subsection (c) of this section, for the operation of such vessel or vessels in such service for a period not exceeding 20 years, subject to all the appropriate and applicable provisions of this act, with respect to the granting of operating-differential subsidies for the operation of a vessel or vessels in the foreign commerce of the United States.

"(c) No operating subsidy shall be paid under this section for the operation of a vessel unless it (1) has accommodations for a minimum of 200 first- or cabin-class passengers, and (2) shall demonstrate by actual trials conducted under the supervision of the Commission that she is capable of maintaining the speed hereinafter specified on full-load displacement, with a clean bottom, on a measured trial course with the wind not in excess of force 3, Beauford scale, with the machinery developing 80 percent of contract shaft horsepower. The operating subsidy to be paid under this section shall be fixed in the contract and shall not exceed \$2 per displacement ton for each round intercoastal voyage of vessels capable of maintaining a speed of 25 knots per hour, and shall not exceed \$1 per displacement ton for each round intercoastal voyage of vessels capable of maintaining a speed of 16.5 knots per hour. Upon any vessel capable of maintaining a speed of more than 16.5

knots and not more than 25 knots per hour the operating subsidy per displacement ton, per round intercoastal voyage, shall be directly proportionate to the speed of the vessel: *Provided*, That the requirement that a vessel shall have accommodations for a minimum of 200 first- or cabin-class passengers may be waived by the Commission upon the receipt of a certificate from the Secretary of the Navy that any specific vessel without such accommodations is suitable for economical and speedy conversion into a naval or military auxiliary in time of war or national emergency, and that the availability of such vessel is desirable for those purposes. The displacement shall be taken at the maximum summer loadline as prescribed under the provisions of the Coastwise Loadline Act, 1935.

"(d) In determining whether the vessel or vessels are to be used in an essential service, route, or line in the intercoastal commerce of the United States, the Commission shall, in order to prevent the operation of an undesirable excess of tonnage in such commerce, take into consideration: (1) The national-defense program and requirements of the Navy Department and (2) the economic desirability and necessity for the transportation services to be performed by such vessel or vessels."

Mr. O'MALLEY. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. O'MALLEY: Page 21, line 13, strike out all of section 30, on pages 21, 22, 23, and 24.

Mr. O'MALLEY. Mr. Chairman, the amendment I have offered is self-explanatory. It has for its purpose the deletion of section 30 from this bill, which in general is a good bill and should not be jeopardized for the benefit of the owners of a few luxury liners who want to get a \$2-a-ton advantage to compete with the railroads.

My distinguished friend from New York has always made a very good argument, but today he talks about romance. He mentioned the romance of traveling one way on one of these boats and coming back by railroad and he gave that as a reason why this would not hurt the railroads. He did not say anything, however, about the romance of \$2-a-ton opportunity to underbid the railroads of this country on their rates which are fixed by the Interstate Commerce Commission. He did not say anything about these six luxury liners with that \$2-a-ton advantage coming into the intercoastal trade and competing and putting out of business the operators of every other ship that cannot qualify because of their slow speed and because of the fact they cannot accommodate 200 first-class passengers.

Mr. CULKIN. Will the gentleman yield?

Mr. O'MALLEY. I shall yield to the gentleman in a minute. I only have 5 minutes.

Mr. CULKIN. I yielded to the gentleman.

Mr. O'MALLEY. I yield to the gentleman from New York.

Mr. CULKIN. I did say that this legislation does not affect the railroads one iota. The gentleman might put that in there.

Mr. O'MALLEY. I do not agree with the gentleman. I say that any time these big luxury liners get a \$2-a-ton jump on the railroads, whose rates are set by the Interstate Commerce Commission, they will take tonnage away from the railroads and they will take it away from the present intercoastal ships that cannot come under this bill because they do not make the speed and have not the required accommodations. The gentleman in his own remarks admitted that this is nothing but a present to these six ships that are not now in the intercoastal trade and we should not jeopardize this bill on account of six ships that might serve a California port if Uncle Sam guarantees their profits.

Mr. COCHRAN. Will the gentleman yield?

Mr. O'MALLEY. I yield to the gentleman from Missouri.

Mr. COCHRAN. If the gentleman's amendment is agreed to it will delete from the bill this so-called subsidy feature?

Mr. O'MALLEY. Yes; it will take this obnoxious, malodorous attempt to bail out some bankruptcy luxury liners from the bill. We talk about water in the railroads. These ship companies had so much water in the ships when they were built that the United States should not be compelled to bail them out now. If you want to give subsidies, allow the railroads \$2 a ton subsidy like you propose to give to these six

ships, then we from the Middle West will not be afraid that the railroads will be any worse off than they are now.

Mr. Chairman, speaking of these beneficiaries of the ship subsidies and their tender regard for the country and its welfare, 2 years ago the Congress, in an effort to protect human life at sea and to provide employment for workers made mandatory the installation of automatic sprinklers aboard passenger ships. Naturally this involved a small expense on ship operators. Of course, they care but little for lives of passengers where dollars are involved, and it is my understanding that as a result of trick regulations there are many passenger ships which the legislation specifically called to be equipped with automatic sprinklers but through these trick regulations the owners have declined to equip the ships with the automatic sprinklers. It has been my observation that the ship owners who have received many millions of dollars out of the Public Treasury hesitate and refuse to comply with legislation enacted by the Congress to protect the lives of those who travel at sea. To add more of these economic and business parasites to the Treasury pay roll of subsidies is an insult to the intelligence of the country and a blot on ability of Congress to protect the Treasury from such unscrupulous raiding by special interests.

The supporters of section 30 come in here and say that it will not hurt the railroads, but you give these owners, this special privileged group, the advantage. The gentleman from California stated in his closing remarks that this will enable these ships to compete with the railroads. That is the gentleman's own statement, and I understand he is one of the sponsors of this section in the bill. Why destroy a good bill because you want to take care of six ships?

Mr. FORD of California. Will the gentleman yield?

Mr. O'MALLEY. I yield to the gentleman from California.

Mr. FORD of California. How much a ton do the railroads pay in the way of Panama Canal tolls when they carry freight across the continent?

Mr. O'MALLEY. I do not know, but I do not see where that enters into the question.

Mr. FORD of California. I do; because every ship that comes through the Panama Canal pays a toll.

Mr. O'MALLEY. Why does not the gentleman say that Uncle Sam should let these ships go through the Canal without a toll then?

Mr. FORD of California. We should.

Mr. O'MALLEY. Then bring in a bill like that, but do not bring in a bill to rescue these six ships and their owners under the guise of national defense, because that is the "baloney" that is always brought in here whenever some special-privilege fellows want to be taken care of and want to dip their sticky fingers into the taxpayers' pockets.

Mr. COCHRAN. Will the gentleman yield?

Mr. O'MALLEY. I yield to the gentleman from Missouri.

Mr. COCHRAN. There is a bill pending right now in the Senate providing for just what the gentleman from California wants; so why not consider that bill and not jeopardize this one?

Mr. O'MALLEY. That is what I am proposing here with my amendment. Let the question of Canal toll come in on its merits. If the toll is too high, do not try to reduce the tolls under the guise of national defense or a ship-subsidy proposition. Come out in the open and do it straightforwardly.

Mr. MAY. Will the gentleman yield?

Mr. O'MALLEY. I yield to the gentleman from Kentucky.

Mr. MAY. Has the gentleman noticed in the press of the last few days a number of conferences held by the President with the executives of various railroads in order to devise some plan to pull the railroads out of bankruptcy?

Mr. O'MALLEY. I read the headlines, but I do not pay much attention to them. I know some conferences have been held to rescue the railroads. Now we want to give the ships a romantic subsidy of \$2 a ton in competition with the railroads. That is not only a romantic but a sweet thought for the boys who are stuck with those big liners. It is far from romantic, however, for the taxpayer who will foot the bill

unless you strike out section 30 by adopting my amendment.

[Here the gavel fell.]

Mr. BLAND. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I have said about all I desire on this section except that I do want to clear up a misunderstanding. No owners or anybody representing any owners ever sought subsidies from your committee. Whether the subsidy would be given to the particular ships mentioned or to other ships I do not know. I do not know whether, if the Maritime Commission took them over, it would put these ships back on the line. There has been no question of protecting particular ship owners. The committee has not approached the question from that point of view. I do not wish those charges to affect your deliberations. Unless you can predicate your decision for this subsidy upon the ground of national defense, let the section go out, as far as I am concerned. However, I call attention to the fact there are 30,000 miles of coast line to be defended, and the committee, whether properly or improperly, has looked at the question solely from the viewpoint of protection for the West coast and the country.

Mr. O'MALLEY. Mr. Chairman, will the gentleman yield?

Mr. BLAND. I yield to the gentleman from Wisconsin.

Mr. O'MALLEY. Is it not a fact, insofar as the gentleman's knowledge goes, as well as the knowledge of the committee, that under the terms of this section only six ships now in existence can obtain subsidies?

Mr. BLAND. I do not know about ships now in existence. There is none running through the Panama Canal. I understand provision has been made to put these ships on other lines. It may be that ships would have to be constructed.

Let me call attention to one thing stated by the gentleman, about putting other lines out of business. We have provided that in fixing the rates differences in speed shall be taken into consideration in fixing differentials.

Mr. O'MALLEY. But only down to 16 knots.

Mr. BLAND. No; differentials in fixing the rates on those ships shall be provided to take care of the slower ships.

Mr. O'MALLEY. Could a slower ship participate in a subsidy under this section?

Mr. BLAND. No; it could not.

Mr. O'MALLEY. That is the point I made, that the present ships in the coastal service could not participate.

Mr. BLAND. I wonder if we cannot have an agreement with regard to limiting debate upon this section? As I stated, I have said all I desired to say. If agreement cannot be reached, we will let debate run on for a while. We wish to conclude the bill if we can. I do not desire to shut off debate. I realize the interest of gentlemen in this matter. We will let debate run on for a while.

[Here the gavel fell.]

Mr. CULKIN. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I realize that personalities cut no figure in the deliberations of this House, but by a strange turn in the wheel of fate the father of this amendment, our distinguished colleague, the gentleman from California [Mr. WELCH] represented this House at the funeral of our late distinguished colleague, Mr. Colden of California, and is now en route to Washington from California. The gentleman [Mr. WELCH] expected this bill would come up next week. He is its chief exponent and could make a most vigorous and eloquent defense of its purpose if he were here.

I have received the following wire from the gentleman from California:

Regret impossible to be present today when merchant marine bill comes up. Sincerely hope bill passes and no attempt made to interfere with Pacific-coast provision. Necessity for this provision increasing daily.

RICHARD J. WELCH,
Member of Congress.

Of course, "Dick," as you all know, is one of our best-loved Members. I wish to put this wire in the RECORD so his absence may be explained. I say again, I realize these

measures do not turn upon personalities, but I do wish he were here so he might go into the bill more fully.

Mr. BLAND. If the gentleman will yield, I may say that when the rule was issued I understood it would come up for consideration next week, and wired the gentleman from California to that effect.

Mr. CULKIN. Yes. The gentleman would have been here otherwise.

[Here the gavel fell.]

Mr. MARTIN of Colorado. Mr. Chairman, I rise in opposition to section 30 of the bill.

Mr. Chairman, the ancient slogan, "The old flag and an appropriation," reaches its very highest exemplification in section 30 of this bill, which proposes to give an already highly favored and subsidized form of transportation an additional subsidy at the expense of another form of transportation that, judged by capital structure, is worth 100 times more than all the ships in existence in the United States.

Mr. CULKIN. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Colorado. I do not have time to yield.

Mr. CULKIN. May I call the gentleman's attention to the fact that these ships do not get any subsidy.

Mr. MARTIN of Colorado. Mr. Chairman, I do not see how any Member of the Committee on Interstate and Foreign Commerce who attended the hearings on the Pettengill bill to repeal the long-and-short-haul clause could possibly favor the subsidy carried in this bill, and that whether he was for the Pettengill bill or against it. The gentleman from Wisconsin [Mr. WITHROW] a while ago mentioned the desertion of the intercoastal traffic through the Panama Canal by the intercoastal ship lines at the outbreak of the World War, to enter the more profitable foreign trade. I want to call your attention for a moment to what happened after they returned to the intercoastal traffic.

When the intercoastal ship lines returned to the Panama Canal in about 1922 they had no intercoastal traffic whatever. The railroads had it all. At the time the hearings were held on the Pettengill bill the intercoastal ship lines had more than 80 percent of the intercoastal traffic, not in any tonnage newly created, because every ton of it was taken from the transcontinental railroad lines.

When we held those hearings, Mr. Frank Lyon, the brilliant and able attorney of the intercoastal ship lines, stated in so many words, and you will find his language in the record, "We have all the business now." The fact of the matter is that the transcontinental railroads were unable and are unable today to compete with the intercoastal ship lines, even without the subsidy carried in this bill. They cannot get down to those rates, and have been virtually put out of transcontinental business.

The astonishing thing is that they have been put out of business by a form of transportation that does not represent more than 1 percent of the cost of the railroads of this country. It was an astonishing thing to learn before that committee that all the ship lines in the United States do not represent a capital investment of over \$200,000,000, whereas the railways of the country represent a capital investment of \$25,000,000,000.

On that basis, water transportation ought to be cheaper, but as a great lumberman from Washington said in connection with the Pettengill bill, "We need something besides cheap transportation, we need a market." I said, "How does it come that lumber from Washington on tidewater is down here asking for legislation in behalf of the railroads?"

He said, "We need something besides cheap transportation; we need markets for our lumber." He further said, "Fifteen years ago the railroads bought 75 percent of our lumber. Now they buy only 25 percent; but," he said, "15 years ago 75 percent of our lumber went by railroad and only 25 percent by water, while now the figures are reversed and the water has the 75 percent and the railroads only 25 percent, and they are not able to buy our lumber."

What more subsidies and aid does the intercoastal shipping business think they have got to have? The gentleman

from New York says they get no subsidies. Nature gave them a free waterway and the Federal Government furnished them with free harbor terminals and the cheap use of the Panama Canal, and they have little capital investment. All they need is an old ship and a dock to tie up to and the rest is furnished them free. Now, it is proposed in this bill to give them an additional subsidy of two or three dollars a ton on freight, which will absolutely put every transcontinental railroad in the country out of business. [Applause.]

All this is to be done under the plea of the national defense. What transportation agency served the national defense during the Great War, when the intercoastal ships deserted the Panama Canal for the foreign traffic, and when there was no motor transportation to speak of? It was the railroads. They not only carried all the normal traffic of the country but the emergency traffic caused by the war. They were the sole transportation agency of the country.

And in the event of another war emergency they will be the sole transportation agency of the country, except as supplemented in a very small way by trucks and busses. In the transportation field the railroads will still remain the first arm of the national defense. Even if the Panama Canal should not be put out of commission—and I think it will be—it will be grossly inadequate to handle the vast transcontinental traffic. They could not handle 5 percent of it, even if the Canal is kept open. The burden will rest upon eight or nine transcontinental lines of railway. Are we going to further cripple them in order to hand a bonus to a few ship lines?

[Here the gavel fell.]

Mr. HAVENNER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, my colleague the gentleman from California [Mr. WELCH], who represents with me the seaport of San Francisco, has for many years been profoundly interested in the development of an American merchant marine. The distinguished chairman of the committee which has this bill in charge has already announced that the gentleman from California [Mr. WELCH] did a great deal of the work upon which the committee predicated its recommendation of this section of the bill. It is a matter of extreme regret to me that this bill had to be considered in his absence, which is occasioned by the recent death of our former colleague, the late Representative Charles Colden, of California.

The gentleman from California [Mr. WELCH] was in frequent consultation with the former chairman of the Maritime Commission, Hon. Joseph Kennedy, prior to his relinquishment of that post, and I know that they were in complete agreement as to the vital importance of an adequate merchant marine for purposes of national defense. Indeed, the gentleman from California [Mr. WELCH] has repeatedly stated that his primary justification of an operating subsidy for vessels in the intercoastal trade is his earnest conviction that this procedure offers the only practical method of keeping vessels suitable for auxiliary naval service in the waters of the Pacific.

I would like to read at this point an excerpt from a radio address made by Mr. Kennedy at San Francisco on January 8 of this year:

For purposes of national defense, vessels in domestic service are even more valuable than those engaged in international commerce. The former are always in or near American waters, subject to instant call. Vessels in foreign trade, on the other hand, spend perhaps three-fourths of their time on the high seas or in foreign waters, subject to various hazards in time of trouble. The action of the United States with regard to German vessels during the World War shows what we might expect, even from neutral nations, in any future conflict that may arise.

It appears, therefore, that the United States might well consider the subsidizing of vessels in domestic trade as a matter of national defense.

I have been asked to read also at this time a letter addressed to the gentleman from California [Mr. WELCH] by Admiral R. E. Ingersoll, former Chief of Naval Operations, dated February 7, 1938:

MY DEAR MR. WELCH: Confirming the testimony which I gave before the House committee on February 4 and my further

telephone conversation with you this morning, the number of fast passenger ships we should like to use on very short notice in the event of an emergency is about 16, such vessels to be employed as hospital ships, transports, etc., with little or no conversion.

If such vessels were employed in foreign trade to the Orient, Australia, South America, or in the Atlantic, the indications are that only 40 percent of the vessels would be available on short notice at Pacific coast ports. Therefore, in order to have about 16 vessels available at Pacific coast ports, there should be a minimum of about 40 vessels of this class in our merchant marine. I referred to this feature when I stated before the committee that it would be prudent policy to build about 50 vessels of this class.

The legislation under consideration is of vital importance to the entire Nation because it seeks to correct an alarming situation which threatens the very existence of the American merchant marine. We of the Pacific coast realize, perhaps more keenly—

[Here the gavel fell.]

Mr. CULKIN. Mr. Chairman, I ask unanimous consent that the gentleman from California may proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. HAVENNER. We of the Pacific coast realize, perhaps more keenly than the citizens of any other sections of our country, that unless immediate governmental aid is afforded to our commercial ships the flag of the United States will almost disappear from our most important intercoastal trade routes.

Sometime ago the passenger lines which for many years operated on regular schedules between the important major ports of the Pacific coast were withdrawn from service, and very recently a fleet of the largest and fastest ships plying between the Atlantic and Pacific coasts, via the Panama Canal, has been removed from this run.

Another major ship line, which for many years has operated in the intercoastal—Canal—trade, has also announced its intention to remove its ships from this service. The owners of these lines have announced very frankly that the rapid increase in cost of operation during recent years, coupled with the tolls imposed on American vessels for the use of the Panama Canal, has made it impossible for them to continue their operations on a self-sustaining basis.

Obviously the loss of these important ship lines has been a severe economic blow to the entire Pacific coast. But the commerce of the Nation as a whole is imperiled by the likelihood that more and more ships will be withdrawn from the merchant marine service in the immediate future unless our Government aids in solving their operating problem. In the foreign trade our American ships have long been in competition with vessels manned by alien labor at rates of pay far below those established as the American standard, and the Federal Government has recognized the necessity of subsidizing these lines in order to maintain the Stars and Stripes on the seven seas. Even with the subsidy now in effect, certain of the most important ship lines operating between our west coast and the Orient have found it impossible to earn their operating costs, and emergency Federal assistance has recently been granted in notable instances.

It seems rather paradoxical to a layman that American ships, running from an American port to a foreign port are made eligible for Government subsidies, while other American ships starting from an American port, stopping at numerous foreign ports, and winding up at another American port on the opposite side of our continent, are declared to be ineligible for operating aid. The legislation now being considered is designed primarily to correct this paradox in the case of vessels which would be suitable for auxiliary national defense in the event of an emergency.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. HAVENNER. Yes.

Mr. McCORMACK. The auxiliary part of our Navy is just as important as the actual fighting vessels of the Navy themselves, is it not?

Mr. HAVENNER. It has been so pronounced many times.

Mr. McCORMACK. And our auxiliary navy is very weak and in very bad condition, as I understand it.

Mr. HAVENNER. It is almost negligible.

Mr. McCORMACK. Do I understand that these vessels will receive a \$40,000 subsidy on each trip?

Mr. HAVENNER. I cannot give the gentleman the exact figure.

Mr. McCORMACK. In any event, they will pay back about \$25,000 in tolls going through the Canal.

Mr. HAVENNER. I believe that is the fact.

The CHAIRMAN. The time of the gentleman from California has again expired.

Mr. SIROVICH. Mr. Chairman, from the year 1789 to the year 1856 American-built, -manned, and -owned ships carried the products of our Nation to all the ports of the world. We were the second greatest Nation of the world in tonnage, having 5,600,000 tons, while Great Britain's merchant-marine tonnage was 5,900,000. The tonnage of all the rest of the nations of the world combined was 5,600,000. The cause of this tremendous development of our American merchant marine was due to the subsidy that Congress had granted from the formation of our Government until it ceased in the year 1857.

When Congress discontinued subsidizing the American merchant marine in 1856, the entire shipping industry of our Nation collapsed. The people of New England and from the rest of our country who had invested their money in the operation of ships invested it in the railroads. Throughout the length and breadth of our country railroads were extended into new territories. The eyes of the East were turned toward the fertile plains of the West. The sons and daughters of the Thirteen Original Colonies sped westward and the empire of the sea was abandoned for the great development of the empire of the West. The finances that had been instrumental in developing the clipper ships were thrown into the treasury of the new railroads. Congress subsidized heavily the railroad developments that carried the commerce and traffic of the Nation from the Atlantic to the Pacific. As the railroads grew in power, strength, and development, so correspondingly the American merchant marine dwindled from the seven seas until in the year 1914 we had the lowest tonnage of any nation of the world. Not a dollar was contributed in subsidies by the Congress of the United States to the development and perfection of our merchant marine from the year 1857 to the year 1917 when the World War broke out.

Before the Civil War began, 75 percent of the export and import cargo of the United States was carried in American ships. This dropped to 8 percent in the year 1914 at the outbreak of the World War. With the start of the terrible world conflict, our European allies withdrew all their shipping to their own purposes. American cotton was left in the fields unpicked or stored in warehouses because no American ships could transport these products abroad. The same thing was true of wheat, corn, and other commodities, except in such cases where these products were required by the Allies for their own use. When the United States entered the World War in 1917, we had no vessels to transport our troops and commerce and our Government had to rely upon foreign ships for which it paid a very high price to England and France and later to Italy to transport our American soldiers to all the distant lands where the Army and Navy had to send them in order to fight the battle of our Allies.

To counteract the tragedy of our having neglected our American merchant marine, that was the smallest in the world, the United States spent during the World War the sum of \$3,500,000,000, most of which went into wooden ships which were later found to be absolutely unsuited for commercial purposes, involving a tremendous loss of money spent to maintain these obsolete vessels. Had the people of the United States, through their Congress, developed an adequate merchant marine, it would have been unnecessary for our industrial and agricultural organizations to pay tribute to foreign ships in heavy freight charges to carry the exports and imports to and from our Nation.

In 1902, a great President of the United States, Theodore Roosevelt, sent a great white squadron composed of battleships, cruisers, and torpedo boats around the world. We did not have enough auxiliary cruisers to service these boats. We had to go to foreign nations to get colliers, auxiliary ships, and tenders to accompany that fleet on the remainder of this trip around the world. That was the first time in the history of our Nation that our attention was directed to the lack of our preparations in auxiliary cruisers through the shortcomings of our merchant marine, to assist our fighting ships in the defense of our Nation.

Mr. Chairman, Father Time is no respecter of business or industry. Progress and the adoption of modern equipment and machinery shapes the destiny of our future development. The cause of the disintegration of the railroads of our country can be attributed to the competition that has come through trucks, through busses, through automobiles, through commercial aviation, through inland waterways, besides our intercoastal merchant marine.

We have given subsidies to agriculture through bounties, to industry through the tariff, to banks through the operation of the Federal Reserve Bank System, to labor through restricted immigration, to various States through flood control, and countless other subsidies.

To develop an adequate American merchant marine that will be used for national defense, we must aid in the development of intercoastal shipping by subsidizing all modern-built intercoastal ships, which ships could be used in time of war for the defense of the Pacific coast where the great American battleships, cruisers, destroyers, and submarines are found today to protect our interests in the Pacific Ocean.

Mr. Chairman, at this very moment America has the lowest shipping tonnage of any nation in the world. Give a sustaining subsidy to our American merchant marine in foreign intercourse, as well as intercoastal trade, as was given the railroads in the early days, and with American-built shipping liners that can compete for its own foreign trade and the trade of the world, we can once again become one of the great maritime nations of the world.

Mr. Chairman, America needs more ships, the best ships of every type, in coastal, intercoastal, and in inland waters.

We must have American-built ships, built by Americans, manned by Americans, flying the American flag, and forever ready to protect our maritime and commercial interests in time of peace and ready to assist our great Navy as auxiliary cruisers in time of war. [Applause.]

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. CARTER. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, having successfully defended the fair names of the great States of Missouri, Kansas, and several other Midwestern States this afternoon and having shown conclusively that they will not be injured but rather will be benefited by this legislation, I now rise to call the attention of this committee to what I think is the most important feature of this legislation, that of national defense. The Merchant Marine Act of 1936 states:

It is necessary for the national defense that the United States shall have a merchant marine capable of serving as a naval and military auxiliary in time of war or national emergency.

I believe that any of us who knows anything about our Navy or merchant marine operations subscribe to that sentiment. The gentleman from New York who has just preceded me referred to the fact that when Theodore Roosevelt sent this Nation's fleet around the world they had to employ foreign ships to coal the fleet. You can appreciate what would happen in the event of national emergency if we did not have these auxiliary vessels.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield for a question?

Mr. CARTER. I yield to the gentleman from New York for a very brief question.

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Mr. SIROVICH. I did not have time to complete my statement. America today has the lowest tonnage of new ships of any nation in the world. We have less than 600,000 tons of shipping that is under 10 years old. The rest of our shipping is anywhere from 10 to 40 years of age. If this section is retained in the bill it will be instrumental in providing the new ships we need to keep up with our battleships.

Mr. CARTER. I most thoroughly agree with the statement of the gentleman from New York. Suppose, Mr. Chairman, this Nation should be engaged in a battle somewhere out in the Pacific toward the Hawaiian Islands; it does not take any stretching of the imagination to know that in order to maintain and sustain that fleet, to give them oil, food, munitions, and other supplies we must have a constant stream of auxiliary vessels plying back and forth between the fleet and the mainland. That is exactly what this type of ship will be fitted for.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield further?

Mr. CARTER. I yield.

Mr. SIROVICH. And we need ships that can keep up in speed with the battleships, not old tubs that cannot exceed 8 or 10 knots an hour.

Mr. CARTER. We certainly need modern and speedy ships to carry on this work.

Mr. COCHRAN. Mr. Chairman, will the gentleman yield?

Mr. CARTER. Yes; I yield to the gentleman from Missouri, whose State I saved this afternoon.

Mr. COCHRAN. Does the gentleman mean to imply that a ship that will make 16½ knots will keep up with a modern cruiser in speed?

Mr. CARTER. That is what the admirals of the Navy requested. I asked them that particular question. They said that is what they wanted.

But to get back to my thought, to this naval engagement in the Pacific. If our fleet is not supreme, if we have not a fleet that can destroy and annihilate any enemy out there I wonder what good the wheat fields of Kansas are going to be to us? Because if that enemy ever gets a foothold in California it is going to be only a brief time until he comes eastward. I think, Mr. Chairman, that every man, including my good friend from Missouri, should support section 30 and vote against the amendment offered by the gentleman from Wisconsin.

[Here the gavel fell.]

Mr. DONDERO. Mr. Chairman, I move to strike out the last three words.

Mr. Chairman, yesterday we passed the rivers and harbors bill authorizing work calling for the expenditure of about \$34,000,000 for the improvement of the rivers and harbors of this country. Everyone in this House knows that we have already expended more than \$2,000,000,000 to improve the rivers and harbors of this Nation. Everybody knows that water-borne transportation is cheaper than rail transportation. In the one case God Almighty furnishes the right-of-way and man improves it to facilitate water-borne commerce. In the latter case the railroads provide not only the right-of-way but the money to maintain the right-of-way; and we find ourselves devoting the afternoon to authorizing a Government subsidy of \$2 or \$3 a ton to water-borne commerce further to compete with the railroads of the country in spite of the fact that in February of this year 85 percent of the railroads of the country had operating costs greater than their income. How long can they continue without going into bankruptcy?

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. DONDERO. I yield to the gentleman from Kentucky.

Mr. MAY. I listened with a great deal of interest to the very excellent argument made by the gentleman from New York awhile ago wherein he showed just to what extent competition of bus, truck, automobile, and airplane had affected the railroads, affected them practically to their destruction. I am just wondering how much it will help to give them this additional competition.

Mr. DONDERO. I wish now to answer my good friend from New York [Mr. CULKIN], who made the statement this afternoon that this would in no way affect the railroads.

I hold in my hand a number of telegrams, none of which come from railroads, but they do come from men who work on the railroads. They believe that if section 30 remains in this bill that it will cause a loss of employment, and I agree with their views. I submit for the consideration of the House one of these telegrams. This bill may affect the people in your congressional districts. This telegram reads as follows:

Understand Merchant Marine Act (H. R. 10315) will be discussed on floor of House Thursday. Also that section 30 provides subsidy on vessels operating through Panama Canal. Further subsidies to competing forms of transportation will further cripple railroads meaning additional loss of employment for rail workers. Urge you to do everything possible to eliminate section 30 from the bill.

FLOYD E. DRAKE,

*Executive secretary, Michigan railroad employees
and Citizens' League.*

I have another telegram from Pontiac, Mich., and also a number of telegrams from various individuals in the State of Michigan. All of them are opposed to section 30 in this bill granting a Government subsidy to certain coastal shipping.

Section 30 ought to be deleted from the bill and I hope the membership of this committee will support the amendment offered by the gentleman from Wisconsin to strike it out. [Applause.]

[Here the gavel fell.]

Mr. BLAND. Mr. Chairman, I ask unanimous consent that all debate on this section close in 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Virginia?

Mr. HARRINGTON and Mr. HOOK reserved the right to object.

Mr. BLAND. Mr. Chairman, I move that all debate on this section and all amendments thereto close in 20 minutes. The motion was agreed to.

The CHAIRMAN. The gentleman from Iowa [Mr. HARRINGTON] is recognized for 5 minutes.

Mr. HARRINGTON. Mr. Chairman, section 30 of the merchant-marine bill conveys the same benefits to intercoastal commerce of the United States as that conferred upon our shipping on the high seas.

First, let me call your attention to the objectives of the Merchant Marine Act as first outlined by the Honorable Joseph P. Kennedy, former chairman of the United States Maritime Commission. This objective was twofold:

First, to restore America to a front-rank position in world commerce by subsidizing our ships engaged in foreign commerce on the high seas.

Second, to build up an auxiliary to the American Navy.

Some time during consideration of the bill in committee, section 30 was inserted to confer the same subsidy benefits on intercoastal shipping between American ports passing through the Panama Canal.

Let us examine briefly the hidden dynamite in section 30. What does it mean? It means that we are going to subsidize with Government benefits water transportation between our east and west coasts, which shipping is already in direct competition with our practically bankrupt railroads. Under present conditions it is already difficult, if not impossible, for railroads to compete at a profit with water competition between the two coasts. If this further subsidy or Government financial aid is given the intercoastal water shipping, the railroads may as well give up the ghost.

Mr. THURSTON. Will the gentleman yield?

Mr. HARRINGTON. I yield to the gentleman from Iowa.

Mr. THURSTON. Does the gentleman know whether or not members of the Interstate Commerce Commission or members of the House Committee on Interstate and Foreign Commerce were called in, consulted, and asked to explain just how far and to what extent this would interfere with or furnish competition to rail transportation?

Mr. HARRINGTON. To my knowledge the members of the Interstate Commerce Commission were never consulted in connection with this matter.

Mr. THURSTON. So the public officials who know most about this subject were not consulted about the proposition at all?

Mr. HARRINGTON. That is correct.

Danger No. 2 of this section applies directly to and is a serious discrimination against the entire inland United States. If enacted, it would mean that cities and territory on the Atlantic and Pacific coasts would enjoy preferential and discriminatory freight rates which could not possibly be extended to inland America. Thus, encouragement would be given to industries to abandon their present locations in midland America and locate on one of the coasts. This naturally would dislocate and displace labor in the Middle West.

Let us also consider the effect of this provision to subsidize intercoastal shipping upon the farmer. To meet this competition, the railroads must again decrease their rates on transcontinental shipments. The danger lies in the fact that to further decrease the transcontinental rates, the railroads must of necessity seek an increase in interstate rates on the short hauls in the Middle West. Who will ultimately foot the bill?

First, the farmers of all that great west central region from Ohio to the Rockies and from the Canadian border south to that rim of the States on the Gulf coast. The consumers in that area also will suffer even as they have since the construction of the Panama Canal. Let me say to you that unless section 30 of this bill is entirely eliminated the second rape of the great Middle West will have been accomplished. Our farmers will suffer. Railroad labor—all labor—will suffer, our cities will be depopulated and nothing but ultimate ruin can come from the inclusion of section 30.

I appeal to the Members in all fairness to all sections of the country to eliminate this from the bill. It has no place in an act designed solely to foster foreign trade and supplement our national defense.

Those of you in the East and in the great cities—beware of this section. Your citizens too will have to pay in the form of increased food and fuel prices. It is to your interests to help eliminate this section. [Applause.]

Mr. LUCKEY of Nebraska. Will the gentleman yield?

Mr. HARRINGTON. I yield to the gentleman from Nebraska.

Mr. LUCKEY of Nebraska. Is it not a fact that through the Shipping Board we have paid out over three and a half billion dollars in subsidies for our merchant marine?

Mr. HARRINGTON. That is correct as far as my information goes.

[Here the gavel fell.]

The CHAIRMAN. The gentleman from Nebraska [Mr. COFFEE] will be recognized for 2 minutes.

Mr. COFFEE of Nebraska. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Wisconsin [Mr. O'MALLEY] to eliminate section 30 from this bill.

There is not a man in this House living between the Allegheny Mountains on the east and the Rocky Mountains on the west who, knowing the provisions of section 30, could fail to support this amendment.

Section 30 has no place in this bill which is designed primarily to encourage foreign commerce. Section 30 provides subsidies for intercoastal shipping that may entail an expense to the Federal Government of around \$10,000,000 a year. It provides a subsidy up to \$2 per displacement ton for each round intercoastal voyage which means approximately \$3 a ton of cargo. In other words, it provides a subsidy of 15 cents per hundredweight on freight moving by water in certain vessels from the west coast through the Panama Canal to the Gulf or Atlantic-coast points, and vice versa. It means subsidized competition for the transcon-

tinental railroads to the extent of 15 cents per hundredweight. It will mean the further loss of jobs for thousands of railroad employees and a further decrease in volume for the railroads which are already facing bankruptcy.

This subsidized water transportation will also tend to dislocate industry and increase the movement of industry from the interior to the coast with the consequent loss of employment in the interior of the United States. The loss of this freight by the railroads will entail a heavier burden on the shippers of the interior who in order to maintain their only means of transportation will be called upon to pay higher freight rates. A subsidy of 15 cents per hundredweight on sugar, flour, and many other agricultural commodities will adversely affect the producers and the price level of those commodities in the interior. [Applause.] [Here the gavel fell.]

The CHAIRMAN. The gentleman from Arizona [Mr. MURDOCK] is recognized for 2 minutes.

Mr. MURDOCK of Arizona. Mr. Chairman, about a year ago I was opposed to the Pettengill bill then before this House. At that time I gave as one of my reasons that I feared if the railroads were given an opportunity to cut down their rates, they would destroy the American merchant marine. Of course, I had other reasons also. I do not know whether you feel that a landlubber from the far West had an insincere regard for the merchant marine at that time or not, but I assure you I did have a very sincere regard for it and its welfare then and now. I want the United States to have a very good merchant marine, but I am not willing to wreck the railroads of the country for the best merchant marine in the world. This subsidy of ships would hurt our railroads.

I may remind you that Alexander Hamilton in the first Presidential administration in American history asked and obtained from Congress a great concession to our coastwise shipping. From the days of the first Washington administration until the present time our coastwise ships have been released from foreign competition. They have had a monopoly on that sea carriage. It looks to me, Mr. Chairman, that this is enough without allowing additional subsidies.

We have heard a great deal about cutthroat competition. I do not want either the railroads or the merchant marine to be in a position where they may engage in cutthroat competition. Our country needs both the railroads and the merchant marine. It looks to me as if we ought to be able to bring these great agencies of transportation under the control of one body in such a way that justice and fairness will result. Their rates should be fixed by the same commission, or so it seems to me.

I have seen and you have seen small communities in the interior of our country made and unmade by the railroads, depending upon whether the railroad came or failed to come their way. The same thing applies to States. The railroads made development possible in a dozen or more far Western States. Those States of the interior, having no water connection, still depend vitally upon rail transportation. I feel certain that any great increase of rail rates to those interior points would throw an economic blight over the whole intermountain country. But to cripple the railroads, or bankrupt them, would throw a more devastating blight over my part of the country. I feel that there is another and better way to coordinate rail and water carriage and encourage coastwise shipping.

[Here the gavel fell.]

The CHAIRMAN. The gentleman from Kansas [Mr. REES] is recognized for 2 minutes.

Mr. REES of Kansas. Mr. Chairman, we seem to be embarking upon a new policy this afternoon. This bill proposes to spend Government money on intercoastal ships. These ships are in direct competition with the railroads of this country. I realize that our Government is spending millions of dollars in subsidies for the building of merchant ships. This seems to be our first proposal to give money

to shipping concerns on a tonnage basis, for hauling goods from one coast of our country to the other.

This section of the bill proposes to pay from \$2 to \$3 per ton for the amount of cargo hauled. The shipping lines, it is agreed, are in direct competition with the railroads. The proponents of this bill have told us a rather tragic story concerning half a dozen or more privately owned ships that will not be able to make profits unless this subsidy is allowed. What about the empty freight cars and the idle engines that are on the sidetracks of our railroads today? What about the thousands of railroad men who are out of work throughout this country? What about the railroads themselves that are in the hands of receivers, and others that are on the verge of bankruptcy?

This legislation may be of some benefit to a few people on the Pacific coast. It will, of course, help the stockholders of a few shipping concerns. It will help such concerns to build new and additional ships. No one, during the discussion of this bill, has suggested an amount of money that might be expended under its terms, once we get started on a program of this kind. The passage of this measure is bound to result in injury to the great number of farmers and producers of the Middle and Western States. These farmers and producers depend upon the railroads for their transportation. These railroads cannot compete with the freight rates of seacoast vessels that will be subsidized under this measure. This bill helps to spell disaster to thousands of railroad employees throughout the length and breadth of the country.

The proponents of section 30 of this bill say it is necessary, among other things, for national-defense purposes. This House just a few days ago passed one of the largest naval-authorizations bills in our history. This House authorized an expenditure of a billion and one-half dollars for a super-Navy. If we do need a few extra merchant ships why not use a small part of the billion and one-half dollars for that purpose? It would be much better than to spend the taxpayers' money in subsidies to owners of ships, that will help wreck a transportation system that is already headed for the rocks.

They tell you that the people on the Pacific coast, in particular, need this measure. It seems they are the only ones who are asking for it. Let me call your attention to the fact that just this week a bill was introduced in the House by the chairman of the Naval Affairs Committee—asking for an additional \$29,000,000 to establish more naval bases on the Pacific.

Members of the House, section 30 does not belong in this bill. I am sure we all want to vote for the best interests of the people of this country. We should, by all means, strike this section from the pending bill. [Applause.]

[Here the gavel fell.]

Mr. LEA. Mr. Chairman, I take it there is one underlying fact in reference to this situation that none of us can deny, and it is that the American Navy is in a deplorable condition on account of lack of auxiliary ships in case the Nation needs such ships. I believe you will agree with me that the Nation has entered upon a determined policy to have an efficient Navy. You know as well as I that we must have these auxiliary ships, as well as the battleships, if we are to have a real navy. It is not a pleasant thing to vote subsidies under any condition, but the situation we face today is not that situation. The question we face is whether the subsidy shall be confined to foreign commerce alone or shall include intercoastal service.

After review of the present situation, Mr. Kennedy reached the conclusion that the ships in the intercoastal service today, even though fully loaded, are running below cost, every ship operating at a deficit. There are two reasons why we should have a subsidy. One is the purely economic one. I confess, the people of the United States cannot afford to pay very much just for the economic reason of running a ship into San Francisco or Portland, Oreg., but there is a reason the people of the United States cannot afford to

ignore, and that is the necessity of providing auxiliary ships, which are absolutely essential to our Navy.

If you will refer to the statement of Mr. Kennedy—and I may say I have talked with Mr. Kennedy and realize how he thoroughly believes in this—you will find he stated:

For purposes of national defense, vessels in domestic service are even more valuable than those engaged in international service.

I take that to be the actual fact.

[Here the gavel fell.]

Mr. HOPE. Mr. Chairman, an editorial in the San Francisco Chronicle last fall with reference to the service that is attempted to be subsidized by section 30 referred to it as "the luxurious New York-San Francisco service which has grown dear to the hearts of maritime-conscious San Franciscans." That is about all there is to this bill; they want to keep this luxurious service going at the expense of the Federal Government. The editorial goes on to say, in effect, that it is a hopeless cause, because Congress would never be so foolish as to subsidize these few vessels at the expense of the rest of the coastwise traffic and the railroads of the country. But you cannot stop California. I am going to defend California. My friend the gentleman from California [Mr. CARTER] has been defending Kansas this afternoon. I am going to reciprocate. You cannot stop California, so they descended en masse on Washington. On the committee were the mayors of Oakland, San Francisco, and Los Angeles; nine representatives of the American Legion to stress the issue of national defense; the adjutant general for the same purpose; and 16 Members of the House of Representatives from California; and there were two others on the Committee on Merchant Marine, including the distinguished gentleman [Mr. WELCH], who so ably led the fight in the committee for this subsidy. Four chambers of commerce were represented. If you will take the list of those who appeared before the committee you will find it is a roster of all the great and near-great in California. They overpersuaded this committee. I am not surprised they were able to do it with all their ability and all their charm. This is the reason you have this program in the bill. There is no other justification for it.

Mr. CARTER. Mr. Chairman, will the gentleman yield?

Mr. HOPE. Yes.

[Here the gavel fell.]

Mr. HOOK. Mr. Chairman, I rise in support of this amendment. I have heard quite a little talk about the \$2-per-ton subsidy, but it goes a little bit further than that. The subsidy is on displacement and not altogether on tonnage.

On the question of national defense, I voted for the billion-dollar Navy but I did not expect we were going to authorize a lot of subsidies in addition to that billion dollars. I believe, as I think a great majority of the Members of this House believe, that the railroads of this Nation are just as necessary and far more important than some of the ships in the merchant marine when it comes to national defense. They talk about using the merchant marine as auxiliary ships and want these ships in the intercoastal trade. Why not build up trade with some of the Central American countries and use some of our merchant marine in that trade? The ships then would be on hand as auxiliary ships just as well if they were used in trade we might build up with Central America as if they were used in the intercoastal trade, and they would not then be competing with the railroads of the United States.

[Here the gavel fell.]

Mr. CULKIN. Mr. Chairman, I stand as a neutral on the question between the bickering gentleman from California and the distinguished gentleman from Kansas. I come from the Great Lakes country, where we carry every year 130,000,000 tons of freight, and we do not get one red cent of subsidy from the Government.

I have been through the hearings on this matter. I approached it in more or less fear and trembling and in some doubt, but after I heard all the evidence and had discounted the self-interest of the witnesses from California and elsewhere I came to the conclusion that section 30 is sound

legislation and is absolutely and unqualifiedly necessary in the interest of national defense.

May I stress at this stage the point that not a single representative of the railroads, that have an active and vigorous lobby, spending \$18,000,000 a year on lobbying, appeared before the committee in my hearing and opposed this section?

This is simply some of this belated propaganda in the way of telegrams coming from employees who have not a single notion about what this legislation is all about. I, therefore, ask you to vote on the merits of the bill. If you do that you will vote against the amendment of the gentleman from Wisconsin. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin [Mr. O'MALLEY].

The question was taken; and on a division (demanded by Mr. SIROVICH) there were—ayes 132, noes 27.

So the amendment was agreed to.

The Clerk read as follows:

SEC. 31. Section 708 of such act is amended to read as follows: "Sec. 708. The Commission may, if in its discretion financial aid is deemed necessary, enter into a contract with any charterer of its vessels for payment to such charterer of an operating-differential subsidy upon the same terms and conditions and subject to the same limitations and restrictions, where applicable, as are elsewhere provided in this act with respect to payments of such subsidies to operators of privately owned vessels."

SEC. 32. Section 714 of such act is amended to read as follows: "Sec. 714. If the Commission shall find that any trade route (determined by the Commission to be an essential trade route as provided in section 211 of this act) cannot be successfully developed and maintained and the Commission's replacement program cannot be achieved under private operation of such trade route by a citizen of the United States with vessels registered under the laws thereof, without further Government aid in addition to the financial aids authorized under titles V and VI of this act, the Commission is authorized to have constructed, in private shipyards or in navy yards, the vessel or vessels of the types deemed necessary for such trade route, and to demise such new vessel or vessels on bare-boat charter to the American-flag operator established on such trade route, without advertisement or competition, upon an annual charter hire of not less than 5 percent of the construction cost of such new vessel or vessels. Such charter may contain an option to the charterer to purchase such vessel or vessels from the Commission, within 5 years after the execution of the charter, upon the same terms and conditions as are provided in title V for the purchase of new vessels from the Commission and upon the agreement of the purchaser to pay interest at the rate of 3½ percent per annum upon all unpaid portions of the purchase price from the date of the delivery of the vessel to the purchaser under the charter agreement with credit on the purchase price for all charter hire theretofore paid by the purchaser on account of such charter. If the option to purchase is exercised, the deferred payments of the purchase price shall not be extended beyond the life of the vessel computed on a 20-year expectancy."

SEC. 33. Section 802 of such act is amended to read as follows: "Sec. 802. Every contract executed by the Commission under authority of title V of this act shall provide that:

"In the event the United States shall, through purchase or requisition, acquire ownership of the vessel or vessels on which a construction-differential subsidy was paid, the owner shall be paid therefor the fair actual value thereof, but in no event shall such payment exceed the actual depreciated construction cost thereof (together with the actual depreciated cost of capital improvements thereon, but excluding the cost of national-defense features) less the depreciated amount of construction-differential subsidy theretofore paid incident to the construction or reconditioning of such vessel or vessels, or the fair and reasonable scrap value of such vessel as determined by the Commission, whichever is the greater. Such determination shall be final. In computing the depreciated value of such vessel, depreciation shall be computed on each vessel on the schedule adopted by the Bureau of Internal Revenue for income-tax purposes.

"The foregoing provision respecting the requisition or the acquisition of ownership by the United States shall run with the title to such vessel or vessels and be binding on all owners thereof."

SEC. 34. Section 803 of such act is amended by striking out the provisos and the colon following the word "services", and inserting in lieu thereof a comma and the following: "except that the Commission, by a vote of four members (except as provided in section 201 (a)) may grant an exemption in writing from the provisions of this section, upon such terms and conditions and for such specific period of time as the Commission deems necessary or appropriate to carry out the policy of this act, in any case where:

"(a) The Commission finds that the enforcement of such provisions is not necessary to safeguard the economical and fair application of subsidies paid the contractor under this act, and that such exemption will promote economy or efficiency of service by the merchant marine; and

"(b) The person performing the services or supplying the facilities agrees to account for and pay over to the contractor any and all profits resulting from performing such services or supplying such facilities."

Sec. 35. The proviso in section 804 of such act is amended to read as follows: "Provided, however, That under special circumstances and for good cause shown, the Commission may, in its discretion, waive the provisions of this section as to any contractor, for a specific period of time, by affirmative vote of four of its members, except as otherwise provided in section 201 (a)."

Sec. 36. (a) Section 805 (b) of such act is amended by inserting a period after the word "contractor" at the end thereof.

(b) Section 805 (c) of such act is amended by striking out "no director" and inserting in lieu thereof "No director."

Sec. 37. The last sentence of section 805 (d) of such act is amended to read as follows: "No contractor shall receive an operating-differential subsidy for the operation of any chartered vessel save and except during a period of actual emergency determined by the Commission, or except as provided in section 708."

Sec. 38. Section 807 of such act is amended to read as follows:

"Sec. 807. It shall be unlawful for any person employed or retained by any shipbuilder or ship operator holding or applying for a contract under the provisions of this act, or employed or retained by any subsidiary, affiliate, associate, or holding company of such shipbuilder or ship operator, to present, advocate, or oppose any matter within the scope of the Shipping Act, 1916, as amended; the Merchant Marine Act, 1920, as amended; the Merchant Marine Act, 1928, as amended; the Intercoastal Shipping Act, 1933; or this act, before the Congress or any committee thereof, or before the Commission, unless such shipbuilder or ship operator shall have previously filed with the Commission in such form and detail as the Commission shall by rules and regulations or order prescribe as necessary or appropriate in the public interest a statement of the subject matter in respect of which such person is retained or employed, the nature and character of such retainer or employment, and the amount of compensation received or to be received by such person, directly or indirectly, in connection therewith. It shall be the duty of every such person so employed or retained to file with the Commission within 30 days after the close of each calendar month during such retainer or employment, in such form and detail as the Commission shall by rules and regulations or order prescribe as necessary or appropriate in the public interest, a statement of the expenses incurred and the compensation received by such person during such month in connection with such retainer or employment. Whosoever shall violate this provision shall be guilty of a misdemeanor."

Sec. 39. Section 810 of such act is repealed.

Sec. 40. (a) Section 905 (a) of such act is amended to read as follows:

"(a) The words 'foreign commerce' or 'foreign trade' mean commerce or trade between the United States, its Territories or possessions, or the District of Columbia, and a foreign country."

(b) Section 905 (c) of such act is amended by inserting before the period a comma and the following: "and, in the case of a corporation, partnership, or association operating a vessel on the Great Lakes, or on bays, sounds, rivers, harbors, or inland lakes of the United States, the amount of interest required to be owned by a citizen of the United States shall be not less than 75 percent."

Sec. 41. (a) Section 505 (a) of such act is amended by striking out "subsidy is allowed" and inserting in lieu thereof "construction-differential subsidy is allowed."

(b) Section 602 of such act is amended by striking out "operating subsidy" and inserting in lieu thereof "operating-differential subsidy."

Sec. 42. Section 204 (b) of such act is amended by striking out the last sentence thereof.

Mr. McCORMACK. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. McCORMACK. Is the bill being read by sections or by paragraphs?

The CHAIRMAN. The bill is being read by sections.

Mr. McCORMACK. Mr. Chairman, I ask unanimous consent that the remainder of the bill may be considered as having been read, and printed in the Record.

Mr. HOLMES. I object, Mr. Chairman.

Mr. MAPES. Mr. Chairman, reserving the right to object, would that permit amendments to be offered to any section?

The CHAIRMAN. Does the gentleman from Massachusetts include that in his request?

Mr. McCORMACK. Yes; Mr. Chairman.

Mr. BLAND. Mr. Chairman, reserving the right to object, I may say to the gentleman that the next section to which any objection has been manifested, as I understand, is the section in which the gentleman from Michigan is interested, section 42.

Mr. McCORMACK. Mr. Chairman, I ask unanimous consent that the bill may be considered as having been read down to and including section 42.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. BLAND. Mr. Chairman, I ask unanimous consent that all Members who speak in Committee of the Whole on the bill may have 5 legislative days within which to revise and extend their own remarks.

The CHAIRMAN. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. MAPES. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. MAPES: On page 30, line 10, strike out all of section 42.

Mr. MAPES. Mr. Chairman, I would like to see the Committee on Merchant Marine and Fisheries accept this amendment. This section ought to be eliminated from the bill. If we are ever going to have any unified control of the transportation systems in the country, we certainly ought not to take this backward step of striking out of existing law the language which section 42 proposes to strike out.

Earlier in the afternoon during general debate I called attention to the language proposed to be stricken out. Some Members have come in who were not here at that time, and I desire to call attention again to the language which this section seeks to strike out.

As you will recall, we created the Maritime Commission in the act of 1933 to regulate the shipping industry of the country. In that act was this language, found on page 33 of the report in brackets:

After the expiration of 2 years from the effective date of this act the President is authorized to transfer by Executive order to the Interstate Commerce Commission any or all regulatory bodies, regulatory duties, and regulatory functions which by this title are vested in the United States Maritime Commission.

I would not bother the committee with this amendment at this time if I did not consider it of importance. It brings up a question, the general subject matter of which has been before the Committee on Interstate and Foreign Commerce for several weeks. A majority of that committee this very day has reported a bill to the House creating still another new commission to regulate a phase of transportation. The more commissions we create to regulate different branches of transportation, the more contests we are going to have between the commissions and in the House, such as we have had this afternoon between those interested in the success of the railroads, the shipowners, the owners of air transportation, and the owners of trucks and busses.

All phases of transportation ought to be under one regulatory body.

Mr. CULKIN. Mr. Chairman, will the gentleman yield?

Mr. MAPES. Yes.

Mr. CULKIN. Does the gentleman know that where the Interstate Commerce Commission has jurisdiction of joint water-and-rail rates, that in each case it has doubled and trebled the water rates?

Mr. MAPES. No; I do not know that.

Mr. CULKIN. I am telling the gentleman what is the fact.

Mr. MAPES. If the gentleman says it is a fact, of course, it is so. Mr. Chairman, a great many people think the Interstate Commerce Commission is railroad-minded. I do not agree with that opinion. But whether that is true or not, if it was given control of the shipping industry and of air commerce as well as of the railroads and trucks and busses the very nature of its work would take away any suspicion that it is railroad-minded. We talk about reorganization of the Government departments and still continue to create new commissions and new agencies, such as this. This language which the Committee proposes to strike does not compel the President to act. It simply gives him authority, if he sees fit to do so, to transfer some of the functions of the Maritime Commission to the Interstate Commerce Commission. I think it should remain in the law.

Mr. BLAND. Mr. Chairman, I rise in opposition to the amendment. The gentleman speaks of reorganization. I

suppose I have no right to quarrel with him about the vote on the reorganization bill, but I do think the gentleman is estopped from asking us now to do something that is in opposition to the vote and position which he took then.

Mr. MAPES. Mr. Chairman, will the gentleman yield?

Mr. BLAND. I have not the time.

Mr. MAPES. The gentleman is entirely wrong about my position. As I said to the gentleman from Wisconsin, I do not think anyone has to go wild on this question of reorganization in order to be sensible about it. I have been an advocate of reorganization for years.

Mr. BLAND. I decline to yield further. The gentleman says that the very committee of which he is a member has today reported a bill for the formation of another committee. That is doubtless as it should be. That deals with aviation; it deals with matters pertaining to the air. The Interstate Commerce Commission deals with the railroads and the busses, and it is but fair to leave to the Maritime Commission the determination of regulatory matters and those matters that pertain to the water. Furthermore, the Interstate Commerce Commission has its hands full now, and why place upon it the duties that are engaging the Maritime Commission in the matter of regulations of various kinds essential to carry out the marine policy that can only be carried out by the Maritime Commission.

Mr. MAPES. Mr. Chairman, will the gentleman yield?

Mr. BLAND. I cannot yield further. I did not interrupt the gentleman. It is but right and fair that we should have a Maritime Commission and the Interstate Commerce Commission and the Aviation Commission, and then eventually there probably will come about that situation which the Merchant Marine Committee favored in 1935, which was for a Maritime Commission with coordination between the Maritime Commission and the Interstate Commerce Commission. There may be the three Commissions, and then there might be worked out coordination between the heads of those Commissions so that there may be coordination in our transportation systems.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan.

The question was taken, and the amendment was rejected.

The Clerk read as follows:

Sec. 43. Section 9 of the Shipping Act, 1916, as amended, is amended by striking out paragraphs 3 and 4 and inserting in lieu thereof the following:

"Except as provided in section 611 of the Merchant Marine Act, 1936, as amended, it shall be unlawful, without the approval of the United States Maritime Commission to sell, mortgage, lease, charter, deliver, or in any manner transfer, or agree to sell, mortgage, lease, charter, deliver, or in any manner transfer, to any person not a citizen of the United States, or transfer or place under foreign registry or flag, any vessel or any interest therein owned in whole or in part by any person a citizen of the United States and documented under the laws of the United States, or the last documentation of which was under the laws of the United States.

"Any such vessel, or any interest therein, chartered, sold, transferred, or mortgaged to a person not a citizen of the United States or placed under a foreign registry or flag, or operated, in violation of any provision of this section shall be forfeited to the United States, and whoever violates any provision of this section shall be guilty of a misdemeanor and subject to a fine of not more than \$5,000 or to imprisonment for not more than 5 years, or both."

Sec. 44. (a) The Intercoastal Shipping Act, 1933, is amended by inserting after section 3 thereof two new sections, to read as follows:

"Sec. 4. Whenever the Commission finds that any rate, fare, charge, classification, tariff, regulation, or practice demanded, charged, collected, or observed by any carrier subject to the provisions of this act is unjust or unreasonable, it may determine, prescribe, and order enforced a just and reasonable maximum or minimum, or maximum and minimum rate, fare, or charge, or a just and reasonable classification, tariff, regulation, or practice: *Provided*, That in prescribing such maximum and minimum rates, fares, and charges differentials may be established based upon differences in service rendered.

"Sec. 5. The provisions of this act are extended and shall apply to every common carrier by water in interstate commerce as defined in section 1 of the Shipping Act 1916."

(b) Section 4 of such act is amended by striking out the term "Sec. 4" and inserting in lieu thereof the term "Sec. 6."

(c) Section 5 of such act is amended to read as follows:

"Sec. 7. The provisions of the Shipping Act, 1916, as amended shall in all respects except as amended by this act continue to

be applicable to every carrier subject to the provisions of this act."

(d) Section 6 of such act is amended by striking out the term "Sec. 6" and inserting in lieu thereof the term "Sec. 8."

Mr. BLAND. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment to H. R. 10315 proposed by Mr. BLAND: Page 32, between lines 15 and 16, insert the following:

"(e) The amendments made by subsections (a), (b), (c), and (d) of this sections shall take effect 90 days after the date of the enactment of this act."

Mr. BLAND. Mr. Chairman, the section gives the Maritime Commission authority over rates of common carriers as to intercoastal and coastwise rates, similar to the power of the Interstate Commerce Commission over matters under its jurisdiction. Such a power obviously should not be carried into effect immediately on the passage of the bill. When the Intercoastal Act was passed there was provided an interim of 90 days before the provisions of law as to intercoastal rates were put into effect. This amendment makes similar provision as to the new powers granted in this bill. The amendment I have offered is recommended by the Maritime Commission.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

The Clerk read as follows:

Sec. 45. The Merchant Marine Act, 1936, is hereby amended by adding at the end thereof a new title to read as follows:

"TITLE X—FEDERAL SHIP MORTGAGE INSURANCE"

"Sec. 1001. As used in this title—

"(a) The term 'mortgage' means a preferred mortgage as defined in the Ship Mortgage Act, 1920, as amended;

"(b) The term 'vessels' includes all types of self-propelled passenger, cargo, and combination passenger-cargo-carrying vessels documented under the laws of the United States, and fishing vessels owned by citizens of the United States, but shall not include scows, dredges, lighters, tugs, towboats, showboats, barges, canal boats, car floats, and floating canneries or floating reduction plants: *Provided*, That any vessel which the Secretary of the Navy certifies to the Commission is capable of serving as a naval or military auxiliary in time of war or national emergency shall be included within the term 'vessels';

"(c) The term 'mortgagee' includes the original lender under a mortgage and his successors and assigns approved by the Commission;

"(d) The term 'mortgagor' includes the original borrower under a mortgage and his successors and assigns approved by the Commission; and

"(e) The term 'maturity date' means the date on which the mortgage indebtedness would be extinguished if paid in accordance with periodic payments provided for in the mortgage.

"Sec. 1002. There is hereby created a Federal ship mortgage insurance fund (hereinafter referred to as the 'fund'), which shall be used by the Commission as a revolving fund for the purpose of carrying out the provisions of this title, and there shall be allocated to such fund the sum of \$1,000,000 out of funds made available to the Commission under the appropriation authorized by section 1009. Moneys in the fund shall be deposited in the Treasury of the United States to the credit of the fund or invested in bonds or other obligations of, or guaranteed as to principal and interest by, the United States. The Commission may, with the approval of the Secretary of the Treasury, purchase debentures issued under the provisions of section 1005. Such purchases shall be made at a price which, on a yield basis, would provide an investment yield of not less than the yield obtainable from other investments (having comparable maturity dates) authorized by this section. Debentures so purchased shall be canceled and not reissued.

"Sec. 1003. The Commission is authorized, upon application by the mortgagee, to insure as hereinafter provided any mortgage offered to it which is eligible for insurance as hereinafter provided and, upon such terms as the Commission may prescribe, to make commitments for the insuring of any such mortgage prior to the date of execution or disbursement thereon. The aggregate amount of principal obligations of all mortgages insured under this title and outstanding at any one time shall not exceed \$200,000,000.

"Sec. 1004. (a) To be eligible for insurance under this title a mortgage shall, excepting as otherwise provided in section 1006:

"(1) have a mortgagee approved by the Commission as responsible and able to service the mortgage properly; and a mortgagor approved by the Commission as possessing the ability, experience, financial resources, and other qualifications necessary to the adequate operation and maintenance of the mortgaged property.

"(2) involve an obligation in a principal amount which does not exceed 75 percent of the cost (as estimated by the Commission) of the construction, reconstruction, or reconditioning financed by

the loan or advance, but in no event to exceed 75 percent of the amount which the Commission estimates will be the value of the property when the construction, reconstruction, or reconditioning is completed;

"(3) secure an obligation having a maturity date satisfactory to the Commission but not to exceed 20 years from the date of its execution;

"(4) contain amortization provisions satisfactory to the Commission requiring periodic payments by the mortgagor;

"(5) secure an obligation bearing interest (exclusive of premium charges for insurance) at a rate not to exceed 5 percent per annum on the amount of the principal obligation outstanding at any time or not to exceed 6 percent per annum if the Commission finds that in certain areas or under special circumstances the mortgage market demands it;

"(6) provide, in a manner satisfactory to the Commission, for the application of the mortgagor's periodic payments to amortization of the principal of the mortgage, exclusive of the amount allocated to interest and to the premium charge which is required for mortgage insurance as hereinafter provided;

"(7) contain such terms and provisions with respect to the construction, reconstruction, reconditioning, maintenance, or operation of the property, repairs, alterations, payment of taxes, insurance, delinquency charges, revisions, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters pertinent to the security as the Commission may prescribe; and

"(8) secure a new loan or advance made to aid in financing the construction, reconstruction, or reconditioning, subsequent to the enactment of this title, of vessels owned by citizens of the United States which are designed principally for commercial use (a) in the coastwise or intercoastal trade; (b) on the Great Lakes, or on bays, sounds, rivers, harbors, or inland lakes of the United States; or (c) in foreign trade between the United States and foreign countries in continental North America, and between the United States and all islands lying between the continent of South America and the United States in the Gulf of Mexico, the Caribbean Sea, or the Atlantic Ocean.

"(b) No mortgage shall be accepted for insurance unless the Commission finds that the property or project with respect to which the mortgage is executed is economically sound.

"(c) The Commission is authorized to fix a premium charge for the insurance of mortgages under this title, but in the case of any mortgage such charge shall not be less than an amount equivalent to one-half of 1 percent per annum nor more than an amount equivalent to 1 percent per annum of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments or prepayments. All such premium charges shall be payable by the mortgagee as prescribed by the Commission. In the event that the principal obligation of any mortgage accepted for insurance under this section is paid in full prior to the maturity date, the Commission is further authorized in its discretion to require the payment by the mortgagee of an adjusted premium charge in such amount as the Commission determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured under this section until such maturity date.

"(d) The Commission is authorized to charge and collect such amounts as it may deem reasonable for the investigation of applications for insurance, for the appraisal of properties offered for insurance, for the issuance of commitments, and for the inspection of such properties during construction, reconstruction, or reconditioning: *Provided*, That such charges shall not aggregate more than one-half of 1 per cent of the original principal amount of the mortgage to be insured. All moneys received under the provisions of this title shall be deposited in the fund.

"Sec. 1005. (a) In any case in which the mortgagee under an insured mortgage shall have foreclosed and acquired title and possession of the mortgaged property in accordance with regulations of, and within a period to be determined by, the Commission, or shall, with the consent of the Commission, have otherwise acquired such property from the mortgagor after default, the mortgagee shall be entitled to receive the benefits of the insurance as hereinafter provided, upon (1) the prompt conveyance to the Commission of title to the property which meets the requirements of rules and regulations of the Commission in force at the time the mortgage was insured, and which is evidenced in the manner prescribed by such rules and regulations, and (2) the assignment to the Commission of all claims of the mortgagee against the mortgagor or others, arising out of the mortgage transaction or foreclosure proceedings, except such claims as may have been released with the consent of the Commission. Upon such conveyance and assignment the obligation of the mortgagee to pay the premium charges for insurance shall cease and the Commission shall, subject to the cash adjustment hereinafter provided, issue to the mortgagee debentures having a total face value equal to the balance of the principal obligation of the mortgage which was unpaid on the date of the institution of foreclosure proceedings, or on the date of the acquisition of the property after default other than by foreclosure. In the event that the mortgagee acquires the property other than by purchase at foreclosure sale after foreclosure proceedings have been instituted, debentures having a total face value equal to the balance of the principal obligation of the mortgage which was unpaid on the date of the institution of foreclosure proceedings shall be issued to the mortgagee.

"(b) Debentures issued under this section shall be in such form and denominations in multiples of \$50, shall be subject to such terms and conditions, and shall include such provisions for redemption, if any, as may be prescribed by the Commission with the approval of the Secretary of the Treasury, and may be in coupon or registered form. Any difference between the value of the mortgage determined as herein provided and the aggregate face value of the debentures issued, not to exceed \$50, shall be adjusted by the payment of cash by the Commission to the mortgagee from the fund.

"(c) The debentures issued under this section shall be executed in the name of the fund as obligor, shall be signed by the Chairman of the Commission by either his written or engraved signature, and shall be negotiable. All such debentures shall be dated as of the date foreclosure proceedings were instituted, or the property was otherwise acquired by the mortgagee after default, and shall bear interest from such date at a rate determined by the Commission, with the approval of the Secretary of the Treasury, at the time the mortgage was offered for insurance, but not to exceed 3 percent per annum, payable semiannually on the 1st day of January and the 1st day of July of each year, and shall mature 3 years after the 1st day of July following the maturity date of the mortgage on the property in exchange for which the debentures were issued. They shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. They shall be paid out of the fund, which shall be primarily liable therefor, and they shall be fully and unconditionally guaranteed as to principal and interest by the United States, and such guaranty shall be expressed on the face of the debentures. In the event that the fund fails to pay upon demand, when due, the principal of, or interest on, any debentures so guaranteed, the Secretary of the Treasury shall pay to the holders the amount thereof, which is hereby authorized to be appropriated out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such debentures.

"(d) Notwithstanding any other provision of law relating to the acquisition, handling, or disposal of property by the United States, the Commission shall have the right to complete, recondition, reconstruct, renovate, repair, maintain, operate, or charter, or sell for cash or credit, in its discretion, any properties conveyed to it in exchange for debentures as provided in this section; and notwithstanding any other provision of law, the Commission shall also have power to pursue to final collection, by way of compromise or otherwise, all claims against mortgagors assigned by mortgagees to the Commission as provided in this section.

"Sec. 1006. No provision of this title shall be construed to authorize the Commission to insure a mortgage securing any loan or advance made prior to the enactment of this title and no mortgage shall be insured for refinancing in whole or in part any existing mortgage indebtedness except—

"(1) where a substantial portion of the total amount to be secured by the new mortgage shall be applied to new construction, reconditioning or reconstruction of one or more of the mortgaged vessels: *Provided, however*, That the aggregate amount of all mortgages insured under this paragraph and outstanding at any one time shall not exceed \$20,000,000, and provided that all of the eligibility requirements of section 1004 not inconsistent with this paragraph are complied with;

"(2) where the Commission has insured a mortgage under the provisions of this title, and the mortgagor thereafter makes application to the mortgagee or another lender for an additional loan or advance for reconditioning or reconstructing the mortgaged property, the Commission may insure a new mortgage in the amount of the principal outstanding balance of the original mortgage plus the amount of the new loan, provided the total amount is within the limits of section 1004 and the new mortgage conforms to all other eligibility requirements thereof; and

"(3) the Commission may insure mortgages given to finance the purchase of vessels theretofore acquired by the fund under the provisions of section 1005 and to secure loans or advances made for reconditioning and reconstruction of such vessels.

"Sec. 1007. Whoever, for the purpose of obtaining any loan or advance of credit from any person, partnership, association, or corporation with the intent that such loan or advance of credit shall be offered to or accepted by the Commission for insurance, or for the purpose of obtaining any extension or renewal of any loan, advance of credit, or mortgage insured by the said Commission, or the acceptance, release, or substitution of any security on such a loan, advance of credit, or for the purpose of influencing in any way the action of the said Commission under this title, makes, passes, utters, or publishes, or causes to be made, passed, uttered, or published any statement, knowing the same to be false, or alters, forges, or counterfeits, or causes or procures to be altered, forged, or counterfeited, any instrument, paper, or document, or utters, publishes, or passes as true, or causes to be uttered, published, or passed as true, any instrument, paper, or document, knowing it to have been altered, forged, or counterfeited, or willfully overvalues any security, asset, or income, shall be guilty of a misdemeanor and punished as provided under section 806 (b) of this act.

"Sec. 1008. The Commission is authorized and directed to make such rules and regulations as may be deemed necessary or appropriate to carry out the purposes and provisions of this title.

"Sec. 1009. There is hereby authorized to be appropriated the sum of \$1,000,000 and such further sums as may be necessary to carry out the provisions of this title."

Mr. COCHRAN. Mr. Chairman, I offer an amendment. The Clerk read as follows:

Amendment offered by Mr. COCHRAN: Page 33, line 3, after the word "States", strike out all the language down to the colon on line 5.

Mr. COCHRAN. Mr. Chairman, as I said earlier in the day, I originally suggested what is contained in this title in the form of a separate bill. Some amendments were made to my original bill in committee. This title provides Federal ship-mortgage insurance under the Maritime Commission similar to that in the Housing Corporation except the Government guarantees the mortgage up to only 75 percent rather than to 90 percent as in the Housing Administration.

My amendment strikes out language that will prevent those of us who represent constituents on rivers, sounds, lakes, bays, and harbors to secure recognition under this title.

Mr. KLEBERG. Include those of us who represent districts on intercoastal canals.

Mr. COCHRAN. Yes; also those on intercoastal canals. If this language remains in the bill, the Commission cannot recognize anyone who wants to build a scow, dredge, tug, barge, and so forth.

Paragraph B on page 37 of the bill provides that no mortgage shall be accepted for insurance unless the Commission finds that the property or project with respect to which the mortgage is executed is economically sound. Unless, therefore, the project is economically sound the Commission will not guarantee the mortgage. There is no danger of any but sound mortgages being issued. To deny us the right to get tugs and barges, and so forth, on rivers, lakes, and canals that we have spent hundreds of millions of dollars to make navigable is not fair. Why not give our section recognition?

When we had the hearings on the original bill two people appeared in opposition. One was from my own city, an attorney representing a barge line. The other was from the Ohio River, an attorney representing another barge line. Both of them represented those who had a selfish interest. They have barge lines and they have plenty of money. They do not want anybody to have a tugboat or barge. They want a monopoly. They want no competition. They want the United States Government to spend these hundreds of millions of dollars to make the rivers navigable and nobody allowed to operate on them but themselves. That was the opposition at the original hearing. Shipowners from all over the country pleaded for the bill.

Mr. KENNEDY of Maryland. Mr. Chairman, will the gentleman yield?

Mr. COCHRAN. I yield.

Mr. KENNEDY of Maryland. The gentleman made the statement that this was similar to the provision in the Federal Housing Administration Act.

Mr. COCHRAN. It was modeled after it; in fact, originally the same language was used.

Mr. KENNEDY of Maryland. The gentleman also knows that there is an appropriation of \$200,000,000 of Government money to be used to finance the carrying out of this act. That is different from the Federal Housing Act.

Mr. COCHRAN. That is for credit only. No appropriation, but a proviso that limits the credit to \$200,000,000.

Mr. KENNEDY of Maryland. Further than that, this bill provides \$1,000,000 for carrying out this particular phase of the bill. Any number of tug owners appeared before the subcommittee saying they did not want to be included in this.

Mr. COCHRAN. I will say to the gentleman from Maryland that one of the first men, if not the first man, who came to see me and urged me to get him help through this method was the owner of the *City of Baltimore*, which burned in July a year ago right outside the city of Balti-

more, which the gentleman represents in part. He told me that although he was the director of a trust company, the director of a bank, and that he had 25 percent of the cost of a new ship, he could not borrow a dime to build a vessel.

Mr. BLAND. Mr. Chairman, will the gentleman yield?

Mr. COCHRAN. I yield to the chairman of the committee.

Mr. BLAND. The statement was made by the gentleman from Maryland that this bill makes an appropriation of \$200,000,000. My friend was in error. It allocates only \$1,000,000 out of funds already available to the Commission. Mortgages may be guaranteed up to \$200,000,000.

Mr. COCHRAN. I thank the gentleman for his contribution. I thought I made myself clear.

Mr. KENNEDY of Maryland. But that is different from the Federal Housing Act. In this case Government money is used.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. COCHRAN. I yield.

Mr. McCORMACK. Has not this bill passed the Senate with this provision in it?

[Here the gavel fell.]

Mr. COCHRAN. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. COCHRAN. Answering the gentleman from Massachusetts, a similar bill, not exactly like this, passed the Senate. It is now in committee. I think this title should have been added to the Senate bill, with everything in the Senate bill after the enacting clause stricken out, because in the House bill we meet the suggestions of the Maritime Commission.

This title has been approved by the Maritime Commission, and so far as I have been able to understand, the language that I desire to strike out was not suggested by the Commission but added by the committee. We want an even break. We voted to help the ships that go abroad, but we have never received recognition for the inland waterways, the Great Lakes, the sounds, the bays, and the coastal canals. All we ask is fair treatment, not a subsidy but a guaranty.

Mr. CRAWFORD. Will the gentleman yield?

Mr. COCHRAN. I yield to the gentleman from Michigan.

Mr. CRAWFORD. Will the gentleman give us a little information with reference to the amortization plan by which these obligations will be met?

Mr. COCHRAN. As soon as the ship goes into commission the amortization plan starts. The Government is always 25 percent ahead in reference to the cost of the vessel. The Government cannot lose.

Mr. CRAWFORD. The original owner puts in 25 percent to start with?

Mr. COCHRAN. Yes; he puts up that much money before he can even receive consideration.

Mr. CRAWFORD. How fast do they pay off the loans?

Mr. BLAND. In 20 years, if the gentleman will pardon me. It covers a period of 20 years, which is the life of the boat or ship. It is amortized back in 20 years.

Mr. COCHRAN. May I say they operate ships carrying passengers on the Hudson River, on Chesapeake Bay from Washington to Norfolk and Baltimore to Norfolk, as well as on the Great Lakes and other inland waterways that are over 30 years old? Why? Because they cannot borrow to replace them.

[Here the gavel fell.]

Mr. O'MALLEY. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, this is the one section in the pending bill that should help the little fellow in the shipping business. The difference between this and the ship subsidy proposition which we just defeated is that the man who wants to build or rehabilitate a small ship can go now to a bank and borrow some money to add to his own investment. He

has to put up 25 percent of the amount to begin with and get the other 75 percent from the lender and in 20 years pays the money back from the operation of his ship. He does not run away with all the money as in the case of the ship subsidy and he risks not only his own capital but the loss of his ship if he does not make good.

Mr. BLAND. It is borrowed from private concerns.

Mr. O'MALLEY. Yes; it is borrowed from private banks that will not now lend a penny to a shipping company and all the Government does is guarantee the loan the same as we are doing for the building contractors and largely the same as we intend to do for business through the R. F. C.

There are ships today on the Great Lakes, rivers, and inland waterways; yes, even running out of Baltimore, the owners of which claim that the reason they cannot comply with the law and rehabilitate dangerous and obsolete ships is because they cannot borrow money from any source. This provision opens a way for them to obtain money to build or reconstruct modern, safe boats. The amendment offered by the gentleman from Missouri [Mr. COCHRAN] should be supported because without the amendment the Maritime Commission will not be able to guarantee a mortgage upon small commercial boats and their owners will be denied the benefit of this law.

Today on the Great Lakes there is a monopoly in certain shipping fields because only a few concerns are able to get money to build or repair their boats. This bill will help the small fellow with one or two boats. If the amendment offered by the gentleman from Missouri is adopted, tugs, barges, and all forms of shipping will be stimulated and many new ships will be built to replace unsafe and obsolete boats. Men will also be employed in building them, and men will be employed in operating them, which is the objective we are all striving for.

I hope the House will support the amendment offered by the gentleman from Missouri.

Mr. BLAND. Will the gentleman yield?

Mr. O'MALLEY. I yield to the gentleman from Virginia.

Mr. BLAND. Mr. Chairman, I think it is fair to state that the reason the committee did not urge this amendment was because there was some objection on the ground it might overload the bill and stimulate building to a point that might impair water transportation. We did not want to overload the bill. We thought this as well as other features might be added later if they were found to be necessary.

Mr. O'MALLEY. Does not the gentleman want to stimulate building and the creation of more employment?

Mr. BLAND. Oh, yes.

Mr. COCHRAN. If we do not want to build, I would like to know why the gentleman from Virginia put a provision in here to take care of fishing vessels, but left out our vessels on the Mississippi and Ohio Rivers?

Mr. BLAND. There was no objection to the fishing vessels.

Mr. McCORMACK. The gentleman from Virginia personally has no objection to the amendment offered by the gentleman from Missouri?

Mr. BLAND. I shall stand with the committee.

Mr. McCORMACK. But he personally has no objection?

Mr. O'MALLEY. In other words, if the gentleman was not chairman of the committee he would not oppose the amendment.

[Here the gavel fell.]

Mr. KENNEDY of Maryland. Mr. Chairman, I want to call the attention of the Members of the House to what they are doing in striking out this provision. We are here setting up a new governmental authority which will cost the Government \$1,000,000 to administer. There is no one in the Government who is advocating the creation of this new department. These people you are trying to include by agreeing to the amendment offered by the gentleman from Missouri, have appeared before the committee and they stated that they did not want to be included in the bill. What is the sense, therefore, of placing the Government in business with people who do not want to be included?

Mr. O'MALLEY. Will the gentleman yield?

Mr. KENNEDY of Maryland. I yield to the gentleman from Wisconsin.

Mr. O'MALLEY. The gentleman says these people who would like to be included have not appeared before the committee. I want to say that the people on the Great Lakes in my area never knew this would be in the bill and, therefore, could not appear.

Mr. KENNEDY of Maryland. A number of people did appear and they said they wanted to be excluded.

Mr. O'MALLEY. Who appeared from the Great Lakes section?

Mr. KENNEDY of Maryland. I could not tell the gentleman.

Mr. CRAWFORD. Will the gentleman yield?

Mr. KENNEDY of Maryland. I yield to the gentleman from Michigan.

Mr. CRAWFORD. I may have misunderstood the gentleman, but I believe he stated this will cost the Government \$1,000,000?

Mr. KENNEDY of Maryland. That is correct.

Mr. CRAWFORD. And this \$1,000,000 creates a revolving fund?

Mr. KENNEDY of Maryland. No; it is \$1,000,000 to administer this particular part of the act. The only reduction will be through insurance premiums that will be paid on the mortgage. How much that will be I am not prepared to say.

Mr. CRAWFORD. I may be wrong, but section 1002, page 33, refers to the \$1,000,000 as a revolving fund. Is there also \$1,000,000 carried as administrative expense?

Mr. KENNEDY of Maryland. Look on page 44 in the last paragraph.

Mr. CRAWFORD. Will this run \$1,000,000 a year?

Mr. KENNEDY of Maryland. You appropriate \$1,000,000. I do not know. I do not know of any money that comes back when it is appropriated. But what is the sense of including people who do not want the benefit of this act, and who say that if you pass this act it will demoralize their business by permitting speculators to come in and build ships and then unload them on the hands of the Government, which will guarantee mortgages on the ships, and that it will ruin a sound business already established and create competition with a business that is already established and does not need nor want this legislation and objects to the Government creating additional and surplus competition.

Mr. CRAWFORD. I believe that is a very fine point, which should have been brought out before and more stress put on it, because if providing mortgage insurance will stimulate building in an industry where there is no control by the Interstate Commerce Commission or other agency there is brought about a competitive condition that puts out of business the crowd that is now operating, and they will be in here before long asking relief.

Mr. KENNEDY of Maryland. The gentleman is correct. May I further state to the gentleman that the gentleman from Missouri made reference to a man in Baltimore. I do not know the particular gentleman to whom he had reference, but the representatives of people in Baltimore have talked to me a number of times, as late as this morning, and the people who represent the real shipping interests in Baltimore are opposed to this bill. They stated the only one who is in favor of it is a man who cannot get credit from legitimate banks and other lending institutions in Baltimore.

Mr. COCHRAN. Mr. Chairman, will the gentleman yield?

Mr. KENNEDY of Maryland. I yield to the gentleman from Missouri.

Mr. COCHRAN. Is it not true that under this bill no one can get a mortgage unless it is economically sound and so passed by the Maritime Commission? This provision is in the bill. How are you going to get something that is not economically sound unless the Maritime Commission errs?

Mr. KENNEDY of Maryland. I will ask the gentleman to tell me who in these days is going to judge whether it is economically sound or not. We do not need this measure.

Mr. BIGELOW. Mr. Chairman, although the hour is late, I feel it my duty to say a word in behalf of the representatives of all the owners of freight-carrying craft on the Mississippi River stream. The president of the association that embraces all these craft is a resident of my city of Cincinnati. I believe the statement these people make to me as to the situation. They carry 90,000,000 tons a year of freight, three times as much as goes through the Panama Canal. The value of this freight is \$1,500,000,000. They say they are not in need; that none of them wants this assistance. They can borrow from the banks. They finance themselves. I cannot understand why this Congress should insist on giving financial assistance to people who say they do not want it.

Mr. COCHRAN. Mr. Chairman, will the gentleman yield?

Mr. BIGELOW. No; I have only a minute.

This afternoon you have voted down a subsidy, partly on the ground that the subsidy would be offering unfair competition to the railroads. This river traffic itself furnishes severe competition to the railroads. Whenever a river is opened and traffic on it is possible, the curve of rates on the railroads goes down perceptibly.

What are you doing? You have spent \$200,000,000 to maintain these waterways for the traffic. You are spending between \$3,000,000 and \$4,000,000 a year to operate the locks and the dams to maintain these highways. You are doing all this in competition with the railroads. In addition, you are proposing to finance these people when they say they do not need it and do not want it. In behalf of the Mississippi River Valley Carriers' Association, I want to enter a protest against your forcing upon them a subsidy they do not need and do not want.

[Here the gavel fell.]

Mr. BLAND. Mr. Chairman, I ask unanimous consent that debate close in 2 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. CULKIN. Mr. Chairman, although a member of the committee I am strongly impressed with the equities urged by the gentleman from Missouri. It is true that certain phases of the internal navigation are in need of water-borne craft and this type of financing, which is in no sense a subsidy, to aid it. I do not wish to go back on the findings of the committee on that matter. I was not present when this particular part of the bill was considered. I am strongly influenced to support the amendment offered by the gentleman from Missouri.

Mr. COCHRAN. Mr. Chairman, will the gentleman yield?

Mr. CULKIN. I yield to the gentleman from Missouri.

Mr. COCHRAN. The gentleman from Ohio has just stated that the gentleman representing the Mississippi and Ohio River people lives in his district, and he stated that the Mississippi and Ohio River people do not want it. I come from the greatest city in the Mississippi Valley and I deny the statement there is anyone in my city, except one barge line that wants a monopoly, who is opposed to this amendment.

Mr. CULKIN. The gentleman has been back of this measure for a long time, and intelligently back of it. I believe he knows what he is talking about.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Missouri [Mr. COCHRAN].

The question was taken, and on a division (demanded by Mr. KENNEDY of Maryland) there were—ayes 77, noes 28.

So the amendment was agreed to.

The CHAIRMAN. Under the rule, the Committee automatically rises.

Accordingly the Committee rose; and the Speaker pro tempore [Mr. COOPER] having assumed the chair, Mr. DUNCAN, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 10315) to amend the Merchant Marine Act, 1936, to further promote the mer-

chant marine policy therein declared, and for other purposes, under the rule he reported the same back to the House with sundry amendments.

The SPEAKER pro tempore. Under the rule the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The bill was ordered to be engrossed and read a third time, and was read the third time and passed.

A motion to reconsider was laid on the table.

Mr. BLAND. Mr. Speaker, I ask unanimous consent that the sections of the bill be renumbered to correspond with the amendments adopted.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Virginia?

There was no objection.

EXTENSION OF REMARKS

Mr. BLAND. Mr. Speaker, I ask unanimous consent that all Members may have five legislative days within which to extend their own remarks in the RECORD on the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Virginia?

There was no objection.

HOUSE DOCUMENT ROOM

Mr. WARREN. Mr. Speaker, I offer a resolution from the Committee on Accounts and ask unanimous consent for its immediate consideration.

The Clerk read as follows:

House Resolution 481

Resolved, That the Clerk of the House be, and he is hereby, authorized and directed to pay out of the contingent fund of the House compensation at the rate of \$1,260 per annum, payable monthly, for the services of a temporary janitor in the House document room, to be appointed by the Doorkeeper of the House. The compensation and employment hereby authorized shall start from April 13, 1938, and terminate July 31, 1938.

The SPEAKER pro tempore. Is there objection to the present consideration of the resolution?

There was no objection.

The resolution was agreed to.

A motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. O'CONNELL of Rhode Island. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by placing therein the allocations of the P. W. A. for my State.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Rhode Island?

There was no objection.

Mr. MARTIN of Colorado. Mr. Speaker, I ask unanimous consent to extend my remarks by including a brief address made by me before the National Rivers and Harbors Congress.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Colorado?

There was no objection.

Mr. TERRY. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a list of P. W. A. projects in Arkansas.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. POWERS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a letter I hold in my hand dealing with the present economic situation.

Mr. COLLINS. I object, Mr. Speaker.

Mr. LUDLOW. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include four very brief telegrams on the merchant-marine bill which we have just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Indiana?

There was no objection.

CONTESTED-ELECTION CASE OF ROY V. JENKS

Mr. KERR. Mr. Speaker, by direction of the Committee on Elections No. 3, I present a privileged resolution in the case of *Roy v. Jenks*, with a majority report, and ask unanimous consent that the minority may have one week from today within which to file minority views.

The Clerk read as follows:

House Resolution 482

Resolved, That Arthur B. Jenks is not entitled to a seat in the House of Representatives in the Seventy-fifth Congress from the First Congressional District of the State of New Hampshire; and be it further

Resolved, That Alphonse Roy is entitled to a seat in the House of Representatives in the Seventy-fifth Congress from the First Congressional District of the State of New Hampshire.

Mr. MARTIN of Massachusetts. Mr. Speaker, I reserve the right to object. Do I understand the request is made for the majority or the minority?

Mr. KERR. For the minority. I am making the request after consulting with our colleague [Mr. GIFFORD].

The SPEAKER pro tempore. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

EXTENSION OF REMARKS

Mr. O'CONNELL of Montana. Mr. Speaker, I ask unanimous consent to extend my remarks and to include therein a report from the American Association of Sponsors of Academic Freedom and Permanent Tenure in the University of Montana. The report exceeds the allowance, and I have obtained an estimate from the Public Printer and I ask unanimous consent that it be printed at this time.

The SPEAKER pro tempore. Is there objection?

There was no objection.

Mr. VOORHIS. Mr. Speaker, I ask unanimous consent that my colleague from Florida [Mr. HENDRICKS] may have permission to extend his remarks in the RECORD and to include therein a list of P. W. A. projects in the State of Florida.

The SPEAKER pro tempore. Is there objection?

There was no objection.

Mr. BINDERUP. Mr. Speaker, I ask unanimous consent to include two short extensions of my own remarks in the RECORD.

The SPEAKER pro tempore. Is there objection?

There was no objection.

ADJOURNMENT OVER

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Monday next.

The SPEAKER pro tempore. Is there objection?

Mr. MARTIN of Massachusetts. Mr. Speaker, I reserve the right to object. Will the gentleman tell us what he has in mind for next week?

Mr. RAYBURN. No; I cannot, to be frank about it. There are two rules before the Committee on Rules which I understand may be considered early in the week. Of course, as soon as the conference report on the tax bill passes the Senate that will be taken up. Monday will be devoted to the Consent Calendar.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

LEAVE TO ADDRESS THE HOUSE

Mr. ANDRESEN of Minnesota. Mr. Speaker, I ask unanimous consent to address the House for 20 minutes on Monday next after the disposition of matters on the Speaker's desk.

The SPEAKER pro tempore. The gentleman from Minnesota asks unanimous consent that on Monday next he may address the House for 20 minutes after the disposition of matters on the Speaker's desk and the conclusion of the legislative program for the day. Is there objection?

There was no objection.

FOURTH ANNUAL CONFERENCE, TRUSTEES OF COLLEGES AND UNIVERSITIES

Mr. BACON. Mr. Speaker, I ask unanimous consent to print in the RECORD at this point a very brief letter from the chairman of the Fourth Annual Conference of Trustees of Colleges and Universities.

The SPEAKER pro tempore. Is there objection?

There was no objection.

The letter is as follows:

FOURTH ANNUAL CONFERENCE OF TRUSTEES OF COLLEGES AND UNIVERSITIES

The Honorable ROBERT L. BACON,
Washington, D. C.

DEAR SIR: At a meeting attended by members of the boards of trustees of the colleges and universities listed below held at Lafayette College, Easton, Pa., April 21, 1938, it was unanimously resolved that grave apprehension be expressed to each Member of the Congress concerning the security and value of endowment funds; that for the preservation of these financial foundations of institutions of learning, it was imperative that:

- (1) The integrity of the railroad corporations be preserved.
- (2) Government withdraw from competition with private business.
- (3) Values of securities be restored through elimination of tax on undistributed profits.
- (4) Tax on capital gains be modified so as to eliminate taxation as a consideration in the sale and purchase of securities.
- (5) Congress perform all of its duties and delegate none of its powers to the executive branch of the Government.

Respectfully submitted.

Carroll P. Bassett, chairman, Allegheny College, Brown University, Bryn Mawr College, Bucknell University, Cedar Crest College, Colgate University, Columbia University, Dickinson College, Drew University, Drexel Institute of Technology, Franklin and Marshall College, Gettysburg College, Haverford College, Hobart College, College of Idaho, Juniata College, Keuka College, Lafayette College, Lebanon Valley College, Lehigh University, Massachusetts Institute of Technology, Middlebury College, Moravian College, Mount Holyoke College, Muhlenberg College, New York University, Ohio Wesleyan University, University of Pennsylvania, Philadelphia College of Pharmacy, University of Pittsburgh, Princeton University, Rollins College, Rutgers University, St. Lawrence University, Smith College, Swarthmore College, Sweet Briar College, Syracuse University, Temple University, Trinity College, Union College, Ursinus College, Vassar College, Wellesley College, Wesleyan University, Wilson College, College of Wooster.

The SPEAKER pro tempore. Under special order heretofore entered, the gentleman from New York [Mr. FISH] is entitled to recognition for 20 minutes.

CONFISCATION OF PROPERTY BELONGING TO AMERICAN JEWS IN GERMANY

Mr. FISH. Mr. Speaker, I find myself in some difficulty, because I happen to be a member of the New York State Constitutional Convention at Albany. It is impossible to be in two places at the same time. This is the only opportunity I will have to say a few words regarding certain issues that are now or should be before the Congress. In the first place, I call the attention of the House to a statement made yesterday by Field Marshal Herman Goering, of Germany, the economic dictator, who said he proposed to confiscate and to seize the property not only of German Jews living in Germany and Austria but also of alien Jews, and that means American Jews.

It so happens that in the State of New York, from which I come, there are 2,000,000 Jews living in New York City and probably half a million more living up-State. Many of these American citizens own property under the law in Germany. If this threat of Field Marshal Goering is carried out against American citizens it means that the property of our citizens will be confiscated by a foreign nation, and it does not make any difference as far as the Congress is concerned whether our citizens be Jew or gentile or be American citizens of German or Austrian origin.

It is none of our business what form of government there is in Germany, in Spain, in Soviet Russia, or in any other country of the world; that is purely their business. It is our business, however, and primarily the business of the Government of the United States, the President, the State Department, and the Congress, if the property of an American

citizen is seized in any foreign land, particularly in any civilized nation or in any nation with which we have friendly intercourse and have diplomatic relations, to come to the aid and assistance of those citizens.

Let me point out that if the program of Field Marshal Goering is carried out it will raise a very serious issue and result in very serious circumstances. We as a nation cannot afford to remain silent. The only way we have of protesting, if the German Government ignores the rights of American citizens to own property or money, is either to enter into some method of reprisal, to stop trade with Germany, or to seize some of her property in this country. In the last analysis it would be proper if the German Government proceeds to put its program into effect to withdraw diplomatic relations and recall our Ambassador.

I do not believe Germany will proceed with the suggestions made yesterday by Mr. Goering, but I am serving notice as a member of the Foreign Affairs Committee of this House that if the German Government—and I repeat we are not concerned with the form of the German Government—seizes the property of any American citizen, be he Jew or Gentile, American born or naturalized, and takes it away from him, then the Government of the United States has a definite duty to use its influence and powers to protect the property of its citizens. That is what we legislate about year in and year out, that is why we appropriate these huge sums of money for our Navy and our Army, and particularly for our Diplomatic Corps and our Foreign Service.

Before any property of American citizens is confiscated in Germany it seems to me that the State Department should notify the German Government that any such act would be immediately resented by our Government and our people. The State Department should make it very clear that we propose to uphold the traditional American policy of protecting the rights, the liberties, and the property of our citizens everywhere in the world. Otherwise our procedure in the Congress is just a mockery and a farce when we appropriate millions upon millions of dollars for our Navy, our Army, our Air Corps, and our Diplomatic Service if we do not propose to protect the rights of our citizens to trade and to own property.

I make this statement now because I believe a little plain talking will stop a very serious situation from developing. After the horse is stolen it does not make any difference what we do about locking the barn door. A firm protest now might well solve the situation and save us from trouble and grave difficulty in the future.

Mr. BIERMANN. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield.

Mr. BIERMANN. How does the gentleman propose that we protect the right of these citizens? Does he want us to go to war in Germany?

Mr. FISH. I am glad the gentleman asked me that because he must know my views about war. I am not in favor of any war except a war of defense of the United States of America. But I am ready and prepared, if any foreign nation deliberately violates the rights and seizes the property of our citizens, either to sever diplomatic relations or to stop trading with them or to enter into proper forms of reprisal, anything short of war. We could adopt economic embargoes, sanctions, and other trade measures. If any country is worth living in it is the United States of America. We must see to it that our citizens are respected and that their rights to trade are protected. In the days of ancient Rome the very words "Romanus civis sum" were a guaranty of protection throughout the known world. Today the mere statement of "I am an American citizen" should afford the same kind of protection. I refuse to go to war for the almighty dollar, whether it be in foreign lands or here, but I am willing at all times to uphold and protect the rights of our citizens in foreign lands and especially the right to trade and own property.

Mr. BIERMANN. I do not want to quibble with the gentleman over a word, but he used the words "protect the property of these citizens." I do not see how we can protect property in Germany except by going to war.

Mr. FISH. I will tell the gentleman how we can protect the property of our citizens in Germany. All we have to do is to have the State Department serve notice immediately that if the threat of seizing the property of American citizens is put into effect, then we propose to do exactly the same thing in America against German citizens or, preferably, against the property of the German Government in the United States.

Mr. BIERMANN. That is not protecting property.

Mr. FISH. It is protecting property, because then the German Government will not seize the property of our citizens. This is not a Jewish issue—it is a great American issue upon which we will not compromise or pussyfoot.

Mr. BIERMANN. That is a reprisal.

Mr. FISH. It may be, but it is protecting the property of our citizens in foreign lands directly or indirectly because if we let the German Government know that we are not going to stand for it in the first instance, I do not believe it will ever happen.

Mr. BIERMANN. I agree with the gentleman that we ought to do something like that, but as far as actually protecting the property is concerned, I think we would have a hard time doing that. We may sever diplomatic relations or we may invoke reprisal, but as far as physically protecting the property is concerned, I think the gentleman would have a hard time doing that.

Mr. FISH. If the gentleman thinks any of us are going to war about it, then he is much mistaken, because I am as much against going to war on such an issue as he is. I am quite sure the gentleman realizes if the United States Government notifies the German Government that if the property of American citizens, Jews or gentiles, is seized in Germany, that we propose to protect our citizens to the best of our ability it will stop such seizures. What is our ability? We cannot go over there and fight them nor do we want to. The only thing we can do is either to seize their property over here, refuse to trade with them, or withdraw our Ambassador. I would not hesitate for one minute, if they proceed with any such drastic course and insist on seizing the property of our citizens and actually do it, not threaten to do it, to withdraw our Ambassador and our entire diplomatic force from Germany. The Nazi government, if it violates international law by the confiscation of the property of American citizens, ought to be outlawed.

Mr. LUDLOW. Will the gentleman yield?

Mr. FISH. I yield to the gentleman from Indiana.

Mr. LUDLOW. Does the gentleman know whether or not the State Department has taken cognizance of this extraordinary utterance by Mr. Goering?

Mr. FISH. This statement of Mr. Goering was made only yesterday. I saw something in the press today that led me to believe the State Department did know the statement had been made, but so far has taken no action. I am not speaking for my own party in this matter. I am speaking for myself as a member of the Foreign Affairs Committee when I say that I will back the administration to the limit in any firm stand it takes to protect the rights of American citizens anywhere in the world short of war. [Applause.]

Mr. LUDLOW. I feel as the gentleman does that the State Department ought to take some notice of this.

Mr. FISH. Yes; and do it immediately before it is too late.

Mr. BIGELOW. Will the gentleman yield?

Mr. FISH. I yield to the gentleman from Ohio.

Mr. BIGELOW. Has the State Department taken any such action with reference to the oil situation in Mexico?

Mr. FISH. May I say in reply to the gentleman's question that while I do not go to the State Department very often, I was there last week. I went there to visit one of the best State Department officials that we have at the present time, Mr. Sumner Welles, Under Secretary of State. As I was coming out of Mr. Welles' office I noticed the distinguished Ambassador from Mexico waiting, so, putting two and two together, I assume Mr. Daniels was there to discuss the Mexican oil situation. I make that statement in fairness to the State Department.

Mr. Speaker, I want to discuss in the remainder of my time the pending wage and hour bill, and I am glad to note the gentleman from Massachusetts [Mr. MARTIN] is here, a member of the Rules Committee. I want to take this opportunity to express my views on the wage and hour bill. I opposed the wage and hour bill when it came up a few months ago on the ground that the bill in its then form would create a huge bureaucracy. I believe the time has come, and long since passed, to restore representative government in our country and not create additional bureaucracies and administrative agencies to run our country. I would vote against the bill again if it were in the same form because I will not compromise with bureaucracy and regimentation and the creation of additional bureaucratic agencies and the concentration of power in the President to control industry and labor.

If the wage and hour bill as now proposed and pending before the Rules Committee is reported out and comes up for consideration I propose to support it to the best of my ability because then we will have a government by law instead of a government by bureaucratic and executive edicts. I believe legislation of this type, doing away with sweatshop hours and sweatshop labor conditions and wages, should have been enacted by Congress years ago. If you and I are sincere in this Congress in trying to combat radicalism, socialism, and communism, then we ought to enact legislation of this kind in order to promote social and industrial justice and provide for a square deal to labor, and particularly for the one-third who are ill-housed, ill-fed, and ill-clothed.

There is no man in this House who would not have been shocked this morning if he had listened to the testimony of some underpaid millworkers from the State of New York who appeared before the New York State Members of Congress in a special committee meeting. I thought I knew something about the economic conditions in my own State, but I found out I was woefully ignorant of the deplorable and tragic conditions existing in my State. I knew that certain wage earners there were paid \$8, \$9, \$10, and \$12 a week, yes, but these people brought in slips and presented them to our committee showing where they had received 10 cents an hour, \$2 a week, \$3 a week, \$4 a week, \$5 a week, and \$6 a week. I would not have believed it if some Member had gotten up on the floor of the House and made such a statement. I was under the impression they paid from \$6 to \$12 a week in these sweatshops. But the facts are as I have stated them.

The wage and hour bill in a new and feasible form is now pending before the Committee on Rules. It seems to me a bigger issue is being raised before the Committee on Rules than even the merits of the bill. The question is, Do we or do we not have representative government in this House? Have the Members of the House anything to say with respect to what kind of legislation will be brought before them, or must they turn over their power to the Committee on Rules, which, by a majority of one in a small committee, might chloroform this bill and smother it and withhold it from consideration in the House? Great labor organizations like the American Federation of Labor and practically all the wage-earning people in this country want this bill passed. I believe the rank and file of the American people want to put an end to the terrible conditions of our wage earners in the sweatshops who are being exploited by human vultures, yet Congress does nothing. If this condition continues to prevail in the House, of course, Mr. Majority Leader, the responsibility is upon your party. You have a 4-to-1 majority. You have control of every committee. With that majority you should be able to legislate. Nevertheless, may I say this for myself as a Republican, because apparently the word has gone out that the Republicans are against this bill, that it is not true, and I predict and predict deliberately and advisedly—and I am making the statement now, because I will not be here most of next week, when this matter may be again discussed—that if this pending wage and hour bill comes up for consideration in its pres-

ent form, instead of only a handful of Republicans being for the bill, as was the case when the other bill was considered, over 50 percent of the Republicans will vote for this bill, and I would not be surprised if there were two-thirds. I make that as a definite prediction. Still, the responsibility rests on the majority party to bring out this measure. If the Committee on Rules refuses to allow it to be brought out and insists on chloroforming it, I hope the majority leader will see to it that a petition is put upon the desk, and I predict it will be signed within a week's time, and we will get action through the Members of the House. If the Rules Committee continues to thwart the will of the House, then the rules should be changed and the power of the Rules Committee curbed.

Mr. RAYBURN. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield to the gentleman from Texas.

Mr. RAYBURN. A few weeks ago we had a wage and hour bill on the way to consideration in this House by the discharge route. We read through the bill and then the bill was recommitted. That bill contained most of what this bill contains. If my memory serves me correctly, we did not have any help at that time from the gentleman from New York or from many members of his party.

Mr. FISH. No; I was against it. May I make very clear again why I was against it then and why I would be against it again. That bill proposed to create a commission or a board. It made no difference to me or to those who are opposed to regimentation or bureaucracy whether it was a board composed of 1 man or of 5 or 10 men. That is the difference between tweedledum and tweedledee. The bill created a huge bureaucracy whether under a board of five or just one person, and turned full control over industry and labor to these bureaucratic agents. If we are to legislate, let us legislate by law and not by bureaucratic edicts or by more Executive orders. That was the issue involved, and if that issue comes up again I hope it will be defeated. Why even Mr. Green, president of the American Federation of Labor, opposed that bill because he knew what it meant. He knew it meant more bureaucracy, more inefficiency, and more control over labor, and industry as well. That is why that bill was defeated. Mr. Green is for this new bill because it creates uniform standards by law which is what we ought to enact by law. The bill provides uniform hours and wages for labor. Wages begin at a minimum of 25 cents an hour and go up to 40 cents over a period of 3 years. The same thing is true in regard to the hours of labor, the hours beginning at 44 and going down to 40 in 3 years' time. This gives a fair opportunity to southern mill owners to put their house in order in the next 3 years.

I predict that when this bill comes up for consideration at least half the Republicans will vote for it, and I hope you, the majority leader, will either get it out of the Rules Committee or bring it up by petition; in either case I am sure it will pass by an overwhelming vote. [Applause.]

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent to address the House for 30 seconds.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. RAYBURN. Mr. Speaker, many of us who have labored for a wage and hour bill, of course, welcome the belated arrival of our colleague from New York and his support. The gentleman states he believes 50 percent of the Republicans will vote for this bill. I think practically that percentage would have voted for the bill the last time if it had ever been put on final passage.

ENROLLED JOINT RESOLUTION SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled a joint resolution of the House of the following title, which was thereupon signed by the Speaker:

H. J. Res. 573. Joint resolution to amend the joint resolution entitled "Joint resolution authorizing Federal participation in the New York World's Fair 1939."

JOINT RESOLUTION PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, a joint resolution of the House of the following title:

H. J. Res. 573. Joint resolution to amend the joint resolution entitled "Joint resolution authorizing Federal participation in the New York World's Fair 1939."

ADJOURNMENT

Mr. RAYBURN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 50 minutes p. m.) under its previous order, the House adjourned until Monday, May 2, 1938, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON THE CIVIL SERVICE

The Committee on the Civil Service will continue hearings on the general subject of civil-service retirement on Tuesday, May 3, 1938, at 10:30 a. m., in room 246, House Office Building.

COMMITTEE ON THE JUDICIARY

Subcommittee No. I of the Committee on the Judiciary will hold further hearings on the bill (H. R. 9745) to provide for guaranties of collective bargaining in contracts entered into and in the grant or loans of funds by the United States, or any agency thereof, and for other purposes, at 10 a. m. on Tuesday, May 3, 1938. The hearings will be held in the Judiciary Committee room, 346, House Office Building.

There will be a hearing held before the Committee on the Judiciary Wednesday and Thursday, May 4 and 5, 1938, on the resolutions proposing to amend the Constitution of the United States to provide suffrage for the people of the District of Columbia. The hearing will be held in the caucus room of the House Office Building, beginning at 10 a. m., on the days mentioned.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Committee on Merchant Marine and Fisheries will hold a public hearing in room 219, House Office Building, Washington, D. C., at 10 a. m. on Tuesday, May 3, 1938, on H. R. 10335, to amend section 301 of the Merchant Marine Act of 1936.

COMMITTEE ON PATENTS

A subcommittee of the Committee on Patents will hold hearings on H. R. 7851, to provide for the protection of certain patent owners, and for other purposes, at 10 a. m. on Thursday, May 5, 1938, in the committee room, 1015, House Office Building. Chairman of the subcommittee, Congressman LEON SACKS.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1273. A communication from the President of the United States, transmitting supplemental estimates of appropriations for the Navy Department, for the fiscal year 1938, aggregating \$25,597,000 (H. Doc. No. 607); to the Committee on Appropriations and ordered to be printed.

1274. A communication from the President of the United States, transmitting a supplemental estimate of appropriation for the legislative establishment, Architect of the Capitol, for the fiscal year 1939, in the sum of \$600 (H. Doc. No. 608); to the Committee on Appropriations and ordered to be printed.

1275. A letter from the Secretary of the Interior, transmitting a draft of a bill to authorize the appropriation to the government of the Virgin Islands of the United States of taxes collected under the internal-revenue laws of the United States on articles produced in the Virgin Islands and transported to the United States, and for other purposes; to the Committee on Ways and Means.

1276. A letter from the Attorney General, transmitting the draft of a bill to provide for a change in the time for holding court at Rock Hill and Spartanburg, S. C.; to the Committee on the Judiciary.

1277. A letter from the chairman, Reconstruction Finance Corporation, transmitting a report of the activities and expenditures of the Reconstruction Finance Corporation for the month of March 1938 (H. Doc. No. 609); to the Committee on Banking and Currency and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. KEOGH: Committee on Claims. S. 3526. An act to provide for reimbursing certain railroads for sums paid into the Treasury of the United States under an unconstitutional act of Congress; with an amendment (Rept. No. 2245). Referred to the Committee of the Whole House on the state of the Union.

Mr. MILLS: Committee on Public Buildings and Grounds. S. 3220. An act to authorize the Secretary of the Treasury to transfer the title and all other interests in the old tower clock from the Escambia County Courthouse Building, acquired by the Government by deed, to the Pensacola Historical Society of Pensacola, Escambia County, Fla.; without amendment (Rept. No. 2246). Referred to the Committee of the Whole House on the state of the Union.

Mr. DE ROUEN: Committee on the Public Lands. H. R. 10024. A bill to establish the Olympic National Park, in the State of Washington, and for other purposes; with an amendment (Rept. No. 2247). Referred to the Committee of the Whole House on the state of the Union.

Mr. COCHRAN: Committee on Expenditures in the Executive Departments. H. R. 9848. A bill to require that horses and mules belonging to the United States which have become unfit for service be destroyed or put to pasture; without amendment (Rept. No. 2248). Referred to the Committee of the Whole House on the state of the Union.

Mr. COCHRAN: Committee on Expenditures in the Executive Departments. S. 2819. An act to create a Committee on Purchases of Blind-made Products, and for other purposes; without amendment (Rept. No. 2249). Referred to the Committee of the Whole House on the state of the Union.

Mr. COCHRAN: Committee on Expenditures in the Executive Departments. H. R. 7664. A bill to provide for a more efficient and economical mileage table of distances and routes to apply for the payment of certain travel performed for the United States Government; without amendment (Rept. No. 2250). Referred to the Committee of the Whole House on the state of the Union.

Mr. HEALEY: Committee on the Judiciary. H. R. 10296. A bill to amend an act entitled "An act relating to the liability of common carriers by railroad to their employees in certain cases," approved April 22, 1908, as amended (U. S. C. title 45, ch. 2); without amendment (Rept. No. 2251). Referred to the House Calendar.

Mr. KELLER: Committee on the Library. House Joint Resolution 631. Joint resolution to provide for the erection of a monument to the memory of Gen. Peter Gabriel Muhlenberg; with an amendment (Rept. No. 2252). Referred to the Committee of the Whole House on the state of the Union.

Mr. KELLER: Committee on the Library. House Joint Resolution 656. Joint resolution to provide for the erection of a memorial to the memory of Newton D. Baker; with an amendment (Rept. No. 2253). Referred to the Committee of the Whole House on the state of the Union.

Mr. LEA: Committee on Interstate and Foreign Commerce. H. R. 9738. A bill to create a Civil Aeronautics Authority, to provide for the regulation of civil aeronautics, and for other purposes; with an amendment (Rept. No. 2254). Referred to the Committee of the Whole House on the state of the Union.

Mr. KERR: Committee on Elections No. 3. House Resolution 482. A resolution relative to the election of Mr. Al-

phonse Roy as a Representative in Congress from the State of New Hampshire; without amendment (Rept. No. 2255). Referred to the House Calendar.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. FLEGER: A bill (H. R. 10453) to authorize a preliminary examination and survey of the Chagrin River and its tributaries in the State of Ohio for flood control, for run-off and water-flow retardation, and for soil-erosion prevention; to the Committee on Flood Control.

By Mr. HART: A bill (H. R. 10454) conferring jurisdiction upon the Court of Claims to hear, determine, and render judgment upon the claim of the mayor and aldermen of Jersey City, Hudson County, N. J., a municipal corporation; to the Committee on Claims.

By Mr. MAY: A bill (H. R. 10455) to authorize the Secretary of War to proceed with the construction of certain public works in connection with the War Department in the District of Columbia; to the Committee on Military Affairs.

By Mr. MEAD: A bill (H. R. 10456) to establish the Civil Service Administration, to extend the merit system, to extend the Classification Act of 1923, and for other purposes; to the Select Committee on Government Organization.

By Mr. ROMJUE: A bill (H. R. 10457) authorizing a preliminary examination and survey of the Grand River and tributaries, Missouri; to the Committee on Flood Control.

By Mr. BOREN: A bill (H. R. 10458) to amend the Agricultural Adjustment Act of 1938, as amended, to provide for the reapportionment of cotton acreage allotments not planted by farmers entitled thereto; to the Committee on Agriculture.

By Mr. BUCK: A bill (H. R. 10459) to amend certain provisions of law relative to the production of wines, brandy, and fruit spirits so as to remove therefrom certain unnecessary restrictions; to facilitate the collection of internal-revenue taxes thereupon; and to provide abatement of certain taxes upon wines, brandy, and fruit spirits where lost or evaporated while in the custody and under the control of the Government without any fault of the owner; to the Committee on Ways and Means.

By Mr. DIMOND: A bill (H. R. 10460) to increase the pay of post-office employees in the Territory of Alaska; to the Committee on the Post Office and Post Roads.

By Mr. FLAHERTY: A bill (H. R. 10461) relating to active duty pay of officers of the Officers' Reserve Corps; to the Committee on Appropriations.

By Mr. KELLER: A bill (H. R. 10462) to amend the act entitled "An act creating the Mount Rushmore National Memorial Commission and defining its purposes and powers," approved February 25, 1929, as amended; to the Committee on the Library.

By Mr. POWERS: A bill (H. R. 10463) imposing an excise tax with respect to the importation of certain earthenware and chinaware; to the Committee on Ways and Means.

By Mr. CLARK of North Carolina: A bill (H. R. 10464) to amend the Inland Waterways Corporation Act, approved June 3, 1924, as amended, authorizing the Secretary of War to extend the services and operations of the Inland Waterways Corporation to the Cape Fear River and connecting waterways; to the Committee on Interstate and Foreign Commerce.

By Mr. RANKIN: A bill (H. R. 10465) for the erection of a public building at Iuka, Tishomingo County, Miss.; to the Committee on Public Buildings and Grounds.

Also, a bill (H. R. 10466) to regulate the value of money, stabilize its purchasing power by the controlled expansion and contraction of the currency, and for other purposes; to the Committee on Banking and Currency.

By Mr. VOORHIS: A bill (H. R. 10467) to award the decoration of the Purple Heart to certain veterans of the World War who were wounded or gassed in action; to the Committee on Military Affairs.

By Mr. POAGE: Resolution (H. Res. 483) authorizing the Committee on Immigration and Naturalization to make a thorough study of need for revision and separate codifications of laws relating to immigration, deportation, naturalization, and expatriation; to the Committee on Rules.

By Mr. McREYNOLDS: Joint resolution (H. J. Res. 666) to provide that the United States extend an invitation to the governments of the American Republics, members of the Pan American Union, to hold the Eighth American Scientific Congress in the United States in 1940 on the occasion of the fiftieth anniversary of the founding of the Pan American Union; to invite these governments to participate in the proposed Congress; and to authorize an appropriation for the expenses thereof; to the Committee on Foreign Affairs.

Also, joint resolution (H. J. Res. 667) to authorize an appropriation to aid in defraying the expenses of the observance of the seventy-fifth anniversary of the Battles of Chickamauga, Ga.; Lookout Mountain, Tenn.; and Missionary Ridge, Tenn.; and to commemorate the one hundredth anniversary of the removal from Tennessee of the Cherokee Indians, at Chattanooga, Tenn., and at Chickamauga, Ga., from September 18 to 24, 1938, inclusive, and for other purposes; to the Committee on Military Affairs.

By Mr. O'TOOLE: Joint resolution (H. J. Res. 668) calling upon the President to demand from the British Government the payment of \$50,000,000 that the Irish Free State agreed to pay Great Britain as a result of the treaty signed between those nations April 25, 1938; to the Committee on Foreign Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ENGLEBRIGHT: A bill (H. R. 10468) for the relief of Emma A. Haessig Harte; to the Committee on Military Affairs.

By Mr. FULMER: A bill (H. R. 10469) for the relief of Gladys O. Britt, Lottibelle S. Cain, and Anne S. Russell; to the Committee on Claims.

By Mr. GRAY of Pennsylvania: A bill (H. R. 10470) granting a pension to George H. McCoy; to the Committee on Pensions.

By Mr. KELLY of New York: A bill (H. R. 10471) for the relief of the estate of Jacob Gerling; to the Committee on Claims.

By Mr. LANHAM: A bill (H. R. 10472) for the relief of S. V. Schup; to the Committee on Claims.

By Mr. MAY (by request): A bill (H. R. 10473) authorizing the President to present gold medals to Mrs. Robert Aldrich and Anna Boulogny; to the Committee on Military Affairs.

By Mr. ROBERTSON: A bill (H. R. 10474) for the relief of Maj. Herbert A. Jacob; to the Committee on Claims.

By Mr. SCHAEFER of Illinois: A bill (H. R. 10475) for the relief of Alvertine Nast and Wayne Nast, minor son; to the Committee on Claims.

By Mr. SUTPHIN: A bill (H. R. 10476) for the relief of M. Brown and S. H. Brown; to the Committee on War Claims.

Also, a bill (H. R. 10477) for the relief of the High Clothing Co., Inc.; to the Committee on Claims.

By Mr. TERRY: A bill (H. R. 10478) for the relief of W. M. Hurley; to the Committee on Claims.

Also, a bill (H. R. 10479) for the relief of Joe Whitson; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4969. By Mr. CURLEY: Petition of the Reserve Officers' Association of the United States, urging that the establishment of post exchanges at Army posts and encampments be continued without restrictions of any kind; to the Committee on Military Affairs.

4970. By Mr. FORD of California: Resolution of the Council of the City of Los Angeles, Calif., requesting that the House of Representatives and the Senate make provision for the usual Federal aid to highways during the years 1940-41; to the Committee on Roads.

4971. By Mrs. NORTON: Petition of Theodore W. Noyes and various other residents of the District of Columbia, favoring the adoption of resolutions which propose constitutional amendments empowering Congress to grant relief to the citizens of the United States resident in the District of Columbia; to the Committee on the Judiciary.

SENATE

FRIDAY, APRIL 29, 1938

(Legislative day of Wednesday, April 20, 1938)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Thursday, April 28, 1938, was dispensed with, and the Journal was approved.

CALL OF THE ROLL

Mr. BARKLEY. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Chavez	Hughes	O'Mahoney
Andrews	Clark	Johnson, Colo.	Overton
Ashurst	Copeland	King	Pittman
Austin	Dieterich	La Follette	Pope
Bailey	Donahay	Lee	Radcliffe
Bankhead	Duffy	Logan	Russell
Barkley	Ellender	Loneragan	Schwartz
Berry	Frazier	Lundeen	Schwellenbach
Bilbo	George	McAdoo	Sheppard
Bone	Gerry	McCarran	Shipstead
Borah	Gibson	McGill	Smith
Brown, Mich.	Gillette	McKellar	Thomas, Utah
Brown, N. H.	Glass	McNary	Townsend
Bulkley	Green	Miller	Truman
Bulow	Hale	Milton	Tydings
Burke	Harrison	Minton	Vandenberg
Byrd	Hatch	Murray	Van Nuys
Byrnes	Hayden	Neely	Wagner
Capper	Herring	Norris	Walsh
Caraway	Holt	Nye	White

Mr. MINTON. I announce that the Senator from Oregon [Mr. REAMES] is detained from the Senate because of illness.

The Senator from Pennsylvania [Mr. GUFFEY], the Senator from South Dakota [Mr. HITCHCOCK], and the Senator from North Carolina [Mr. REYNOLDS] are detained in their respective States on official business.

I further announce that the Senator from Texas [Mr. CONNALLY], the Senator from Alabama [Mr. HILL], the Senator from Illinois [Mr. LEWIS], the Senator from Connecticut [Mr. MALONEY], the Senator from Florida [Mr. PEPPER], the Senator from New Jersey [Mr. SMATHERS], and the Senator from Montana [Mr. WHEELER] are detained on important public business.

The Senator from Oklahoma [Mr. THOMAS] is unavoidably detained.

Mr. McNARY. I announce that the Senator from California [Mr. JOHNSON] is necessarily absent.

Mr. AUSTIN. The Senator from New Hampshire [Mr. BRIDGES] and the Senator from Pennsylvania [Mr. DAVIS] are necessarily absent.

The VICE PRESIDENT. Eighty Senators have answered to their names. A quorum is present.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the

House had passed a bill (H. R. 10315) to amend the Merchant Marine Act, 1936, to further promote the merchant marine policy therein declared, and for other purposes, in which it requested the concurrence of the Senate.

APPROPRIATION TO THE VIRGIN ISLANDS OF CERTAIN TAXES

The VICE PRESIDENT laid before the Senate a letter from the Secretary of the Interior, transmitting a draft of proposed legislation to authorize the appropriation to the government of the Virgin Islands of the United States of taxes collected under the internal-revenue laws of the United States on articles produced in the Virgin Islands and transported to the United States, and for other purposes, which, with the accompanying paper, was referred to the Committee on Finance.

PETITIONS

The VICE PRESIDENT laid before the Senate a resolution adopted by Lake Front Lodge, No. 1132, Steel Workers Organizing Committee, of Hammond, Ind., favoring the President's recovery program, which was referred to the Committee on Education and Labor.

He also laid before the Senate letters in the nature of petitions from Local No. 209, of Cohoes, and Local No. 211, of Greenwich, of the textile workers organizing committee of the C. I. O., in the State of New York, praying for the adoption of the resolution (S. Res. 266) increasing the limit of expenditures for the investigation of violations of the right of free speech and assembly and interference with the right of labor to organize and bargain collectively, which were referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

REPORTS OF COMMITTEES

Mr. MINTON, from the Committee on Military Affairs, to which was referred the bill (S. 3350) to amend the act of March 9, 1928, authorizing appropriations to be made for the disposition of remains of military personnel and civilian employees of the Army, and for other purposes, reported it without amendment and submitted a report (No. 1669) thereon.

Mr. COPELAND, from the Committee on Commerce, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

S. 2971. A bill authorizing the Secretary of the Treasury to exchange sites for Coast Guard purposes (Rept. No. 1670); S. 3635. A bill to encourage travel to and within the United States, and for other purposes (Rept. No. 1671); and

S. 3823. A bill to equalize certain allowances for quarters and subsistence of enlisted men of the Coast Guard with those of the Army, Navy, and Marine Corps (Rept. No. 1672).

Mr. CLARK, from the Committee on Territories and Insular Affairs, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

H. R. 7259. A bill to authorize the conveyance by the United States to the city of Ketchikan, Alaska, of a certain tract of land in the town site of Ketchikan (Rept. No. 1673);

H. R. 7553. A bill to amend the laws of Alaska imposing taxes for carrying on business and trade (Rept. No. 1674); and

H. R. 7827. A bill to authorize public-utility districts in the Territory of Alaska to incur bonded indebtedness, and for other purposes (Rept. No. 1675).

Mr. CLARK also, from the Committee on Territories and Insular Affairs, to which was referred the bill (H. R. 7778) to amend section 26, title I, chapter 1, of the act entitled "An act making further provision for a civil government for Alaska, and for other purposes," approved June 6, 1900, reported it with amendments and submitted a report (No. 1676) thereon.

Mr. MILLER, from the Committee on Territories and Insular Affairs, to which were referred the following bills, reported them each without amendment and submitted reports thereon: